

§ 1206.1

1206.1 Uniform System of Accounts for common and contract motor carrier of passengers not prescribed.

1206.2 Uniform System of Accounts for common and contract motor carriers of passengers.

AUTHORITY: 49 U.S.C. 10321, 11142 and 11145; 5 U.S.C. 553.

SOURCE: 32 FR 20280, Dec. 20, 1967, unless otherwise noted. Section 1206.2 designated at 52 FR 20400, June 1, 1987.

§ 1206.1 Uniform System of Accounts for common and contract motor carrier of passengers not prescribed.

The Uniform System of Accounts for motor carriers of passengers found at § 1206.2, Uniform System of Accounts for common and contract motor carriers of passengers, shall no longer be prescribed for regulated motor carriers. The Uniform System of Accounts is herein left in place for reference purposes only as the basis of motor carrier accounting and reporting. Motor carriers may follow generally accepted accounting principles for all accounting and reporting matters. For reporting requirements, see § 1249.3 and § 1249.4 of Title 49, Code of Federal Regulations. This provision is effectively beginning January 1, 1987 and thereafter.

[52 FR 20400, June 1, 1987]

§ 1206.2 Uniform System of Accounts for common and contract motor carriers of passengers.

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BALANCE SHEET ACCOUNTS

ASSET SIDE

Current Assets

- 1000 Cash.
- 1020 Working funds.
- 1040 Special deposits.
- 1041 Interest, special deposits.
- 1042 Dividend, special deposits.
- 1043 Miscellaneous special deposits.
- 1060 Temporary cash investments.
- 1080 Notes receivable.
- 1100 Receivables from associated companies.
- 1120 Accounts receivable.
- 1140 Subscribers to capital stock.
- 1160 Interest and dividends receivable.
- 1170 Prepayments.
- 1180 Material and supplies.
- 1190 Other current assets.
- 1195 Deferred income tax debits.

Tangible Property

- 1200 Carrier operating property.
- 1201 Land and land rights.
- 1211 Structures.
- 1221 Revenue equipment.
- 1231 Service cars and equipment.
- 1241 Shop and garage equipment.
- 1251 Furniture and office equipment.
- 1261 Miscellaneous equipment.
- 1271 Improvements to leasehold property.
- 1281 Undistributed property.
- 1291 Unfinished construction.
- 1300 Carrier operating property leased to others.
- 1400 Non-carrier operating property.
- 1450 Non-operating property.

Intangible Property

- 1500 Organization, franchises and permits
- 1501 Organization.
- 1511 Franchises.
- 1541 Patents.
- 1550 Other intangible property.

Investment Securities and Advances

- 1600 Investments and advances—Associated companies.
- 1650 Other investments and advances.
- 1675 Reserve for adjustment of investments in securities.

- 1676 Allowance for net unrealized loss on noncurrent marketable equity securities.

Special Funds

- 1701 Sinking funds.
- 1751 Depreciation funds.
- 1781 Miscellaneous special funds.

Deferred Debits

- 1890 Other deferred debits.
- 1895 Accumulated deferred income tax debits.

Miscellaneous Debit Items

- 1900 Discount on capital stock.
- 1910 Commission and expense on capital stock.
- 1920 Reacquired securities.
- 1990 Nominally issued securities.

LIABILITY SIDE

Current Liabilities

- 2000 Notes payable.
- 2020 Matured equipment and long-term obligations.
- 2030 Payables to associated companies.
- 2050 Accounts payable.
- 2070 Wages payable.
- 2080 Unredeemed tickets.
- 2090 C. o. d.'s unremitted.
- 2100 Dividends declared.
- 2120 Taxes accrued.
- 2150 Interest accrued.
- 2160 Matured interest.
- 2180 Other current liabilities.
- 2185 Deferred income tax credits.

Long-Term Debt Due Within One Year

- 2190 Equipment obligations and other debt due within one year.

Advances Payable

- 2200 Advances payable—Associated companies.
- 2250 Other advances payable.

Equipment and Other Long-Term Obligations

- 2300 Equipment obligations.
- 2310 Capitalized lease obligations.
- 2330 Bonds.
- 2360 Other long-term obligations.
- 2370 Unamortized discount on debt.
- 2380 Unamortized premium on debt.

Deferred Credits

- 2410 Deferred revenues—transfers from government authorities.
- 2450 Other deferred credits.
- 2460 Accumulated deferred income tax credits.

Reserves

- 2500 Reserve for depreciation—Carrier operating property.

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2600 Reserve for amortization—Carrier operating property.
 2610 Reserve for depreciation and amortization—Other property.
 2650 Reserve for uncollectible accounts.
 2680 Injuries, loss and damage reserves.
 2690 Other reserves.

Capital Stock

2700 Preferred capital stock.
 2710 Common capital stock.
 2720 Premiums and assessments on capital stock.
 2730 Capital stock subscribed.

Non-Corporate Capital

2800 Sole proprietorship capital.
 2810 Partnership capital.

Unappropriated Surplus

2900 Unearned surplus.
 2930 Earned surplus.
 2931 Prior period adjustments to beginning retained surplus account.
 2932 Credit balance transferred from income account.
 2933 Other credits to surplus.
 2942 Debit balance transferred from income account.
 2943 Dividend appropriations.
 2944 Appropriations to reserves.
 2945 Other appropriations.
 2946 Other debits to surplus.
 2946.5 Net unrealized loss on noncurrent marketable equity securities.
 2947 Treasury stock.
 2999 Form of balance sheet statement.

INCOME ACCOUNTS

(ORDINARY ITEMS)

Operating Revenues

3000 Operating revenues (exclusive of transfers from government authorities).
 3200 Passenger revenue.
 3210 Special bus revenue.
 3220 Baggage revenue.
 3300 Mail revenue.
 3400 Express revenue.
 3500 Newspaper revenue.
 3600 Miscellaneous station revenue.
 3700 Operating revenues—transfers from government authorities for current operations.
 3800 Operating revenues—amortization of deferred transfers from government authorities.
 3900 Other operating revenue.

Operation and Maintenance Expenses

4000 Operation and maintenance expenses.
 4100 Equipment maintenance and garage expenses.
 4110 Supervision of shop and garage.
 4121 Repairs to shop and garage equipment.

4122 Operation and maintenance of service equipment.
 4128 Repairs to shop and garage buildings and grounds.
 4131 Light, heat, power, and water for shops and garages.
 4132 Other shop and garage expenses.
 4140 Repairs to revenue equipment.
 4150 Servicing of revenue equipment.
 4160 Tires and tubes—Revenue equipment
 4191 Joint garage expenses—Debit.
 4196 Joint garage expense—Credit.
 4200 Transportation expense.
 4210 Supervision of transportation.
 4220 Drivers' wages and bonuses.
 4230 Fuel for revenue equipment.
 4240 Oil for revenue equipment.
 4250 Purchased transportation.
 4261 Road expense.
 4262 Bridge, tunnel and ferry tolls.
 4263 Wages of miscellaneous transportation employees.
 4264 Other transportation expenses.
 4300 Station expense.
 4311 Salaries and commissions.
 4314 Supplies and expenses.
 4319 Repairs to station buildings and equipment.
 4331 Commissions paid.
 4332 Other expenses allowed.
 4340 Interline commission paid.
 4350 Interline commissions earned—Credit.
 4360 Collection and delivery.
 4370 Purchased collection and delivery.
 4391 Joint station facilities—Debit.
 4396 Joint station facilities—Credit.
 4400 Traffic, solicitation and advertising expense.
 4410 Salaries and expenses.
 4430 Tariffs and schedules.
 4440 Tickets and baggage checks.
 4450 Other traffic expenses.
 4470 Advertising.
 4500 Insurance and safety expense.
 4510 Salaries and expenses—Insurance and safety.
 4520 Public liability and property damage insurance.
 4530 Injuries and damages.
 4541 Workmen's compensation—Insurance.
 4546 Workmen's compensation—Provision for claims.
 4550 Baggage and express insurance.
 4560 Baggage and express loss and damage.
 4570 Fire and theft insurance.
 4580 Other insurance.
 4600 Administrative and general expense.
 4611 Salaries of general officers.
 4612 Expenses of general officers.
 4613 Salaries of general office employees.
 4616 Expenses of general office employees.
 4620 Law expenses.
 4630 General office supplies and expenses.
 4640 Communication service.
 4651 Outside auditing expenses.
 4652 Employees' welfare expenses.
 4655 Purchasing and store expenses.

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- 4656 Other general expenses.
- 4660 Management and supervision fees and expenses.
- 4671 Franchise requirements—Debit.
- 4672 Franchise requirements—Credit.
- 4673 Other regulatory commission expenses.
- 4680 Uncollectible revenues.
- 4691 Joint operating expense—Debit.
- 4696 Joint operating expense—Credit.

Depreciation Expense

- 5000 Depreciation expense.

Amortization Expense

- 5100 Amortization of carrier operating property.

Taxes and licenses

- 5200 Operating taxes and licenses.
- 5210 Gasoline, other fuel and oil taxes.
- 5220 Vehicle license and registration fees.
- 5230 Real estate and personal property taxes.
- 5240 Social security taxes.
- 5250 Other taxes.

Operating Rents

- 5300 Operating rents—Net.
- 5310 Equipment rents—Debit.
- 5320 Other operating rents—Debit.
- 5340 Joint facility rents—Debit.
- 5350 Equipment rents—Credit.
- 5360 Rent from owned land and structures.
- 5370 Sublease rental income.
- 5390 Joint facility rents—Credit.

Lease of Carrier Property

- 5400 Rent for lease of carrier property—Debit.
- 5500 Income from lease of carrier property—Credit.

Other Income

- 6000 Net income from non-carrier operations.
- 6100 Net income from non-operating property.
- 6200 Interest income.
- 6300 Dividend income.
- 6400 Income from sinking and other funds.
- 6500 Other non-operating income.
- 6600 Unusual or infrequent items (credit).

Income Deductions

- 7000 Interest on long-term obligations.
- 7100 Other interest deductions.
- 7200 Taxes assumed on interest.
- 7300 Amortization of debt discount and expense.
- 7400 Amortization of premium on debt—Credit.
- 7500 Other deductions.
- 7600 Unusual or infrequent items (debit).

Income Taxes

- 8000 Income taxes on income from continuing operations.
- 8040 Provision for deferred taxes.

DISCONTINUED OPERATIONS

- 8100 Income (loss) from operations of discontinued segments.
- 8120 Gains (loss) on disposal of discontinued segments.

EXTRAORDINARY ITEMS AND ACCOUNTING CHANGES

- 9010 Extraordinary items (net).
- 9050 Income taxes on extraordinary items.
- 9060 Provision for deferred taxes—extraordinary items.
- 9070 Cumulative effect of changes in accounting principles.
- 9999 Form of income statement.

DEFINITIONS

1-1 Accounts.

Accounts as used in this part means the accounts prescribed in this system of accounts.

1-2 Actually issued.

Actually issued, as applied to securities, means those which have been sold to bona fide purchasers for a valuable consideration (including those issued in exchange for other securities or other property) so that the purchasers secured them free from control by the issuing carrier, also securities issued as dividends on stock, and those which have been issued in accordance with contractual requirements direct to trustees of sinking and other funds.

1-3 Actually outstanding.

Actually outstanding, as applied to securities issued or assumed by the carrier, means those which have been actually issued and are neither retired nor held by or for the carrier: *Provided, however,* That securities held by trustees shall be considered as actually outstanding.

1-4 Addition.

Addition means structures, facilities, or equipment added to those in service and not taking the place of anything previously existing.

1-5 Amortization.

Amortization means the gradual extinguishment of an amount in an account by prorating such amount over either a fixed period dependent on the life of the asset or liability to which it applies, or over the period during which it is anticipated the benefit will be realized.

1-6 Associated companies and control.

(a) Associated companies or affiliated companies means companies or persons that directly or indirectly, through one or more intermediaries, control or are controlled by, or are under common control with the accounting carrier.

(b) Control (including the terms *controlling*, *controlled by*, and *under common control*) as used in this part, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a person, firm or corporation, whether through the ownership of voting securities, by contract or otherwise. If in any instance the existence of control is or may be open to reasonable doubt, the carrier shall report to the Commission all of the material facts pertinent to the possible existence of control.

1-7 Betterment.

Betterment means the enlargement or improvement of existing structures, facilities, and equipment.

1-8 Book cost.

Book cost means the amount at which property is recorded on the books of the carrier without deduction of related reserves.

1-9 Carrier or motor carrier.

Carrier or motor carrier includes both a common carrier by motor vehicle and a contract carrier by motor vehicle, subject to Part II of the Interstate Commerce Act.

1-10 Carrier operating property.

Carrier operating property means the property which is used (see definition 40) by the carrier in the conduct of its motor carrier operations or leased to others for such operations, and which has an expectation of life in service of more than 1 year from date of installa-

tion. This includes land, structures, equipment, and facilities necessary for such operations and services incidental thereto.

1-11 Company.

Company means any individual, firm, copartnership, corporation, association, or joint-stock association; and includes any trustee, receiver, assignee, or personal representative thereof.

1-12 Commission or the Commission.

Commission or the Commission means the Interstate Commerce Commission.

1-13 Contingent assets.

Contingent assets means a possible source of value to the carrier dependent upon the fulfillment of conditions regarded as uncertain.

1-14 Contingent liabilities.

Contingent liabilities means items which may under certain conditions become obligations of the carrier but which are neither direct nor assumed liabilities at the date of the balance sheet.

1-15 Cost.

Cost means the amount of money actually paid for property or services, or the cash value at the time of the transaction of any consideration other than money.

1-16 Cost of removal.

Cost of removal means the cost of demolishing, dismantling, tearing down, or otherwise removing operating property, including the cost of transportation and handling incident thereto.

1-17 Current assets.

Current assets means cash as well as those assets that are readily convertible into cash or are held for current use in operations or construction; current claims against others, payment of which is reasonably assured; and other amounts accruing to the carrier which are subject to settlement within one year from the date of the balance sheet.

1-18 Current liabilities.

Current liabilities means those obligations the amount of which is definitely determined or closely estimated which are either matured at the date of the balance sheet or become due within 1 year from date of issuance or assumption or upon demand.

1-19 Date of retirement.

Date of retirement, as applied to operating property, means the date at which such property is permanently withdrawn from service.

1-20 Debt expense.

Debt expense means all expense in connection with the issuance and sale of evidences of long-term debt, such as fees for drafting mortgages and trust deeds; fees and taxes for issuing or recording evidences of debt; cost of engraving and printing bonds, certificates of indebtedness, and other evidences of debt; fees paid trustees; specific costs of obtaining governmental authority; fees for legal services; fees and commissions paid underwriters, brokers, and salesman for marketing evidences of debt; fees and expenses of listing on exchanges; and other like costs.

1-21 Delayed items.

Delayed items means items relating to transactions which occurred before the current calendar year. It includes adjustments of errors in the income, operating revenue, and operating expense accounts of prior years.

1-22 Depreciation.

Depreciation, as applied to depreciable operating property, means the loss in service value (see definition 37) not restored by current maintenance, incurred in connection with the consumption or prospective retirement of property in the course of service from causes against which the carrier is not protected by insurance, which are known to be in current operation. Among the causes to be given consideration are wear and tear, decay, action of the elements, obsolescence, changes in the art, inadequacy, changes in demand, and requirements of public authority.

NOTE A: Unit plan means the plan under which depreciation charges are computed and the records maintained so that the total amount of depreciation accrued applicable to each unit can be determined.

NOTE B: Group plan means the plan under which depreciation charges are accrued upon the basis of the sum total of the book cost balances at the close of each month (or 4-week period) of all property included in each account or subdivision thereof, at rates determined from the average service life of the property included therein, and upon the retirement of any such property its full service value is charged to the depreciation reserve whether or not the particular item has attained the average service life.

1-23 Discount.

Discount, as applied to securities issued or assumed by the carrier, means the excess of the par or face value of the securities, plus interest or dividends accrued at the date of the sale over the cash value of the consideration received from the sale.

1-24 Distinct operating unit.

Distinct operating unit means all or any portion of a route or routes covered by a certificate of convenience and necessity or a permit and operated as a separate entity, including the physical property used in the operation thereof.

1-25 Joint facility.

Joint facility means any property occupied or used jointly by the carrier and one or more other carriers under a definite arrangement whereby the costs are shared between the parties to the joint agreement. Portions of a structure or other property used exclusively by each of two or more carriers are not joint facilities.

1-26 Long-term obligations.

Long-term obligations means obligations having a life of more than 1 year from date of creation or assumption, and all unmatured bonds and receivers' or trustees' certificates.

1-27 Mileage method.

Mileage method, as applied to depreciation of vehicles, means the plan under which the service value is charged to depreciation expenses and credited to depreciation reserves at a fixed rate per mile run.

1-28 Minor items.

Minor items, as applied to carrier operating property (see definition 10), means the associated parts or elements of which units of property (see definition 39) are composed. (See instruction 21(c).)

1-29 Net book cost.

Net book cost, when applied to property, means the book cost (see definition 8) less related depreciation and amortization reserves.

1-30 Net salvage value.

Net salvage value means the salvage value (see definition 35) of property retired after deducting the cost of removal.

1-31 Nominally issued.

Nominally issued, as applied to securities issued or assumed by the carrier, means those which have been signed, certified, or otherwise executed and placed with the proper officer for sale and delivery, or pledged, or otherwise placed in some special fund of the carrier, but which have not been sold or issued direct to trustees of sinking funds in accordance with contractual requirements.

1-32 Premium.

Premium, as applied to securities issued or assumed by the carrier, means the excess of the cash value of the consideration received from their sale over the sum of their par (stated value of no-par stocks) or face value of the securities plus interest or dividends accrued at the date of sale.

1-33 Property retired.

Property retired, as applied to operating property, means property which has been removed, sold, abandoned, destroyed, or which for any cause has been permanently withdrawn from service.

1-34 Replacing or replacement.

Replacing or replacement, when not otherwise indicated in the context, means the acquisition, construction, or installation of property in place of property of like purpose retired, to-

gether with the removal of the property retired.

1-35 Salvage value.

Salvage value means the amount received for property retired, less any expenses incurred in connection with the sale or in preparing the property for sale; or, if retained, the amount at which the material recovered is chargeable to account 1180, Material and Supplies, or other appropriate account.

1-36 Service life.

Service life means the period between the date when carrier operating property (see definition 10) is placed in service and the date of its retirement. (See definition 33.)

1-37 Service value.

Service value means the difference between the book cost (see definition 8) and the net salvage value (see definition 30) of carrier operating property.

1-38 Straight-line method.

Straight-line method, as applied to depreciation accounting, means the plan under which the service value (see definition 37) of property is charged to depreciation expenses or other appropriate accounts and credited to the depreciation reserves through equal periodic charges as nearly as may be during its service life.

1-39 Unit of property.

Unit of property, for the purpose of this system of accounts, means any item of property which on sale, abandonment, disposal or replacement is written out of the property accounts as provided for in instruction 21.

1-40 Used.

Used, as applied to operating property, means actually and necessarily in current service or ready for and reasonably required to be currently held for future service.

1-41 Terminology relative to accounting for income taxes.

(a) *Income taxes* means taxes based on income determined under provisions of the United States Internal Revenue

Code and foreign, state and other taxes (including franchise taxes) based on income.

(b) *Income tax expense* means the amount of income taxes (whether or not currently payable or refundable) allocable to a period in the determination of net income.

(c) *Pretax accounting income* means income or loss for a period, exclusive of related income tax expense.

(d) *Taxable income* means the excess of revenues over deductions or the excess of deductions over revenues to be reported for income tax purposes for a period.

(e) *Timing differences* means differences between the periods in which transactions affect taxable income and the periods in which they enter into the determination of pretax accounting income. Timing differences originate in one period and reverse or *turn around* in one or more subsequent periods. Some timing differences reduce income taxes that would otherwise be payable currently; others increase income taxes that would otherwise be payable currently.

(f) *Permanent differences* means differences between taxable income and pretax accounting income arising from transactions that, under applicable tax laws and regulations, will not be offset by corresponding differences or *turn around* in other periods.

(g) *Tax effects* means differentials in income taxes of a period attributable to (1) revenue or expense transactions which enter into the determination of pretax accounting income in one period and into the determination of taxable income in another period, (2) deductions or credits that may be carried backward or forward for income tax purposes and (3) adjustments of prior periods and direct entries to other stockholders' equity accounts which enter into the determination of taxable income in a period but which do not enter into the determination of pretax accounting income of that period. A permanent difference does not result in a *tax effect* as that term is used in this definition.

(h) *Deferred taxes* means tax effects which are deferred for allocation to income tax expense of future periods.

(i) *Interperiod tax allocation* means the process of apportioning income taxes among periods.

(j) *Tax allocation within a period* means the process of apportioning income tax expense applicable to a given period between income before extraordinary items and extraordinary items, and of associating the income tax effects of adjustments of prior periods and direct entries to other stockholders' equity accounts with these items.

[39 FR 33348, Sept. 17, 1974]

1-42 Terminology relative to equity accounting.

(a) *Investor* means a business entity that holds an investment in voting stock of another company.

(b) *Investee* means a corporation that issued voting stock held by an investor.

(c) *Corporate joint venture* is a company owned and operated by a small group of businesses as a separate and specific business or project for the mutual benefit of the members of the group.

(d) *Dividends*, unless otherwise specified, means dividends paid or payable in cash, other assets, or another class of stock and does not include stock dividends or stock splits.

(e) *Earnings or losses of an investee and financial position of an investee* refer to net income (or net loss) and financial position of an investee determined in accordance with generally accepted accounting principles.

(f) *Undistributed earnings of an investee* means net income less dividends declared whether received or not.

(g) *Date of acquisition* is the date on which the investor assumes the rights of ownership. Ordinarily, this is the date assets are received and other assets are given or securities issued.

1-43 Disposal of a segment of a business.

(a) *Segment of a business* refers to a component of an entity whose activities represent a separate major line of business or class of customer. A segment may be in the form of a subsidiary, a division, or a department, and in some cases a joint venture or other non-subsidiary investee, provided that

its assets, results of operations, and activities can be clearly distinguished, physically and operationally and for financial reporting purposes, from the other assets, results of operations, and activities of the entity. The fact that the results of operations of the segment being sold or abandoned cannot be separately identified strongly suggests that the transaction should not be classified as a disposal of a segment of business.

(b) *Measurement date* means the date on which the management having authority to approve the action commits itself to a formal plan to dispose of a segment of the business, whether by abandonment or sale. The measurement date for disposals requiring Commission approval shall be the service date of the Order authorizing the disposal.

(c) *Disposal date* refers to the date of closing the sale if the disposal is by sale or the date that operations cease if the disposal is by abandonment.

1-44 Terminology relative to compensating balances.

(a) *Compensating balance* means the portion of any demand deposit (or any time deposit or certificate of deposit) maintained by a carrier (or by any person on behalf of the carrier) which constitutes support for existing borrowing arrangements of the carrier (or any person) with a lending institution. Such arrangements include both outstanding borrowings and the assurance of future credit availability. (The compensating balance requirement should be adjusted by the amount of float unless such adjustment would cause the compensating balance to be greater than the cash balance per carrier's books. The float adjustment is made by subtracting the float from the compensating balance requirement if the collected bank ledger balance exceeds the cash balance per carrier's books or by adding the float to the compensating balance requirement if the collected bank ledger balance is less than the cash balance per carrier's books.)

(b) *Float* means deposits and withdrawals in transit which constitute a difference between the collected bank

ledger balance and the cash balance per carrier's books.

[39 FR 34046, Sept. 23, 1974, as amended at 40 FR 53252, Nov. 17, 1975; 41 FR 9159, Mar. 3, 1976]

1-45 Terminology relative to accounting for marketable equity securities.

(a) *Equity security* encompasses any instrument representing ownership shares (e.g., common, preferred, and other capital stock), or the right to acquire (e.g., warrants, rights, and call options) or dispose of (e.g., put options) ownership shares in an enterprise at fixed or determinable prices. The term does not encompass preferred stock that by its terms either must be redeemed by the issuing enterprise or is redeemable at the option of the investor, nor does it include treasury stock or convertible bonds.

(b) *Marketable* as applied to an equity security means an equity security as to which sales prices or bid and ask prices are currently available on a national securities exchange (i.e., those registered with the Securities and Exchange Commission) or in the over-the-counter market. In the over-the-counter market, an equity security shall be considered marketable when a quotation is publicly reported by the National Association of Securities Dealers Automatic Quotations System or by the National Quotations Bureau Inc. (provided, in the latter case, that quotations are available from at least three dealers). Equity securities traded in foreign markets shall be considered marketable when such markets are of a breadth and scope comparable to those referred to above. This definition is not met by restricted stock (securities for which sale is restricted by a governmental or contractual requirement except where such requirement terminates within one year or where the holder has the power to cause the requirement to be met within one year). Any portion of the stock which can reasonably be expected to qualify for sale within one year, such as may be the case under Rule 144 or similar rules of the Securities and Exchange Commission, is not considered restricted.

(c) *Market value* refers to the aggregate of the market price of a single

share or unit times the number of shares or units of each marketable equity security in the portfolio. When an entity has taken positions involving short sales, sales of calls, and purchases of puts for marketable equity securities and the same securities are included in the portfolio, these contracts shall be taken into consideration in the determination of market value of the marketable equity securities.

(d) *Cost*, as applied to a marketable equity security, refers to the original cost unless a new cost basis has been assigned based on recognition of an impairment of value that was deemed other than temporary or as the result of a transfer between current and non-current classifications. In such cases, the new cost basis assigned shall be considered cost.

[42 FR 33300, June 30, 1977]

INSTRUCTIONS

2-1 Classification of carriers.

(a) For the purpose of accounting and reporting regulations, common and contract carriers of passengers subject to the Interstate Commerce Act are grouped into the following two classes:

Class I—Carriers having average annual gross transportation operating revenues (including interstate and intrastate) of \$5 million or more from passenger motor carrier operations after applying the revenue deflator formula as shown in the Note.

Class II—Carriers having average annual gross transportation operating revenues (including interstate or intrastate) of less than \$5 million from passenger motor carrier operations after applying the revenue deflator formula as shown in the Note.

(b)(1) The class to which any carrier belongs shall be determined by annual carrier operating revenues after applying the revenue deflator formula as shown in the Note. Upward and downward reclassification will be effected as of January 1 of the year immediately following the third consecutive year of revenue qualification.

(2) Any carrier which begins new operations (obtains operating authority not previously held) or extends its existing authority (obtains additional operating rights) shall be classified in accordance with a reasonable estimate of its annual carrier operating revenues after applying the revenue deflator formula shown in the Note.

(3) When a business combination occurs, such as a merger, reorganization, or consolidation, the surviving carrier shall be reclassified effective as of January 1 of the next calendar year on the basis of the combined revenues for the year when the combination occurred after applying the revenue deflator formula shown in the Note.

(4) Carriers shall notify the Commission of any change in classification or when their annual operating revenues exceed the Class I limit by writing to the Bureau of Accounts, Interstate Commerce Commission, Washington, DC 20423. In unusual circumstances where the classification regulations and reporting requirements will unduly burden the carrier, the carrier may request from the Commission a waiver from these regulations. This request shall be in writing specifying the conditions justifying the waiver. The Commission then shall notify carriers of any change in classification or reporting requirements.

(c) For classification purposes, the Commission shall publish in the FEDERAL REGISTER annually an index number which shall be used for adjusting gross annual operating revenues. The index number (deflator) is based on the Producer Price Index of Finished Goods and is used to eliminate the effects of inflation from the classification process.

NOTE: Each carrier's operating revenues will be deflated annually using the Producers Price Index (PPI) of Finished Goods before comparing them with the dollar revenue limits prescribed in paragraph (a) of this section. The PPI is published monthly by the Bureau of Labor Statistics. The formula to be applied is as follows:

$$\frac{\text{Current year's annual operating revenues}}{\text{Current year's average PPI}} \times \frac{1986 \text{ average PPI}}{\text{Current year's average PPI}} = \frac{\text{Adjusted annual operating revenues}}{\text{Current year's average PPI}}$$

[53 FR 4028, Feb. 11, 1988]

2-2 Records.

(a) All the accounts defined in this system of accounts must be kept by the double entry method. Each carrier shall keep its general accounting books and all other books, records and memoranda which support in any way the entries to such accounting books and analyses of general ledger account balances so that it can furnish at any time full information as to any account. Moreover, it shall support each entry to each account with such detailed information as will provide a ready analysis and verification of the facts recorded therein. All expenditures must be definitely supported by vouchers, payrolls, receipted bills, canceled checks, receipts for petty cash payments, or other evidences of the expenditures incurred.

(b) The books referred to in this part include not only books of account in a limited technical sense but all other records such as minute books, stock books, reports, correspondence, memoranda, etc., which will be useful in developing the history of or facts regarding any transaction.

(c) No carrier shall destroy any books, records, memoranda, etc., which support entries to its accounts unless destruction is permitted by the regulations governing preservation of records, Part 1220 of this chapter.

(d) Subdivisions of any account in this system of accounts may be kept, provided that such subdivisions do not impair the integrity of the accounts prescribed. The Commission reserves the right to order any carrier to subdivide any account in this system of accounts. The title of each such subdivision shall clearly indicate the account of which it is a part. When an account is subdivided in the general ledger, an account need not be maintained for the total of the subdivisions. When such subdivisions are carried in subsidiary ledgers, however, the general ledger shall contain the controlling ac-

counts therefor so that a complete general ledger trial balance may be obtained.

[32 FR 20280, Dec. 20, 1967, as amended at 40 FR 50384, Oct. 29, 1975]

2-3 Accounting period.

(a) Each carrier shall keep its books on the basis of either (1) an accounting year of 12 months ending on the 31st day of December in each year, or (2) an accounting year of thirteen 4-week periods ending at the close of one of the last 7 days of each calendar year.

(b) A carrier electing to adopt an accounting year of thirteen 4-week periods shall file with the Commission a statement showing the day on which its accounting year will close. A subsequent change in the accounting period may not be made except by authority of the Commission.

(c) To avoid repetition, wherever *calendar year* appears in the system of accounts it is intended to include *or an accounting year of thirteen 4-week periods* and wherever *month* appears it is intended to include *or 4-week period*.

(d) For each month all transactions applicable thereto, as nearly as can be ascertained (see instruction 2-8), including full accruals, shall be entered in the books of original entry (cash book, purchase journal, etc.), and posted to the general ledger. A trial balance of the general ledger accounts shall be prepared at the close of each month setting out the account number, title and amount of each ledger account. (Mechanical, EDP or ADP print-out documentation producing the equivalent of manually prepared trial balances shall identify balances by account numbers.) At the end of the calendar year the revenue, expense and other income accounts shall be closed into earned surplus or the noncorporate capital accounts; and balance sheet account balances shall be brought forward to the general ledger for the succeeding year.

(e) The final entries for any month shall be made in the general ledger not later than 60 days after the last day of the month for which the accounts are stated, unless otherwise authorized by the Commission, except that the period within which the final entries for the last month of the calendar year shall be made may be extended to such date in March of the following year as shall not interfere with the preparation and filing of annual reports.

(f) No changes shall be made in the accounts for periods covered by quarterly and annual reports that have been filed with the Commission unless the changes have first been authorized by the Commission.

[38 FR 3602, Feb. 8, 1973]

2-4 Submission of questions.

To maintain uniformity of accounting, carriers shall submit all questions of doubtful interpretation to the Commission for consideration and decision.

2-5 Item lists; interpretation.

Lists of items appearing in the texts of the several accounts are given for the purpose of indicating the application of the prescribed accounting in specific cases. The lists are not to be considered as comprising all items includible in the several accounts, but merely as representative of them. On the other hand, the appearance of an item in a list warrants the inclusion of such item in the account concerned only when the text of the account also indicates inclusion, inasmuch as the same item frequently appears in more than one list. The proper entry in each instance must be determined by the texts of the accounts.

2-6 Opening entries.

As of the effective date of this system of accounts the accounts prescribed herein shall be opened by appropriately transferring thereto the balances carried in the accounts previously maintained by the carrier. The carrier is authorized to make such subdivisions, reclassifications, consolidations of or additions to such balances as are necessary to meet the requirements of this system of accounts.

2-7 Extraordinary items, unusual or infrequent items, discontinued operations, prior period items, and accounting changes.

(a) *Extraordinary items.* All items of profit and loss recognized during the year are includible in ordinary income unless evidence clearly supports their classification as extraordinary items. Extraordinary items are characterized by both their unusual nature and infrequent occurrence taking into account the environment in which the firm operates; they must also meet the materiality standard.

Unusual means the event or transaction must possess a high degree of abnormality and be of a type clearly unrelated to, or only incidentally related to the ordinary and typical activities of the entity.

Infrequent occurrence means the event or transaction shall be of a type not reasonably expected to recur in the foreseeable future.

(b) *Unusual or infrequent items.* Material events unusual in nature or infrequent in occurrence but not both, thus not meeting both criteria for classification as extraordinary, shall be includible in the accounts provided as separate components of income/expense from continuing operations. Such items are not to be reported net of income taxes.

(c) *Discontinued operations.* The results of continuing operations shall be reported separately from discontinued operations and any gain or loss resulting from disposal of a segment of a business (see definition 1-43(a)) shall be reported in conjunction with the related results of discontinued operations and not as an extraordinary item. The disposal of a segment of a business shall be distinguished from other disposals of assets incident to the evolution of the entity's business, such as the disposal of part of a line of business, the shifting of production or marketing activities for a particular line of business from one location to another, the phasing out of a product line or class of service, and other changes occasioned by technological improvements. If a loss is expected from the proposed sale or abandonment of a segment, the estimated loss shall be provided for at the measurement date (see

definition 1–43(b)). If a gain is expected, it shall be recognized when realized, which ordinarily is the disposal date (see definition 1–43(c)).

(d) *Prior period adjustments.* Only the following two items of profit and loss shall be accounted for and reported as prior period adjustments and excluded from the determination of net income for the current period:

(1) Correction of an error in the financial statements of a prior period, and

(2) Adjustments that result from realization of income tax benefits of preacquisition operating loss carryforwards of purchased subsidiaries.

With the exception of the two items just mentioned, all items of profit and loss recognized during a period shall be included in the determination of net income for that period.

NOTE: The carrier shall follow generally accepted accounting principles where an interpretation of the rules is needed or obtain an interpretation from its public accountant or the Commission.

(e) *Accounting changes.* A change in accounting principle or accounting entity should be referred to this Commission for approval. The cumulative effect of a change in accounting principle should ordinarily be reflected in the account provided for in determining net income; in certain cases accounting changes may be reflected as prior period adjustments. Changes in accounting estimates should ordinarily be reflected prospectively.

(f) *Materiality.* As a general standard an item shall be considered material when it exceeds 10 percent of annual income (loss) before extraordinary items. An item may also be considered in relation to the trend of annual earnings before extraordinary items or other appropriate criteria. Items shall be considered individually and not in the aggregate in determining materiality. However, the effects of a series of related transactions arising from a single specific and identifiable event or plan of action shall be aggregated to determine materiality.

(g) *Commission approval and accountant's letter.* Items shall be included in the accounts provided for extraordinary items, unusual or infrequent

items, discontinued operations, prior period adjustments and cumulative effect of changes in accounting principles only upon approval of the Commission. If the carrier retains the service of an independent accountant, a request for using these accounts shall be accompanied by a letter from the independent accountant approving or otherwise commenting on the request.

NOTE: The carrier may refer to generally accepted accounting principles for further guidance in applying instruction 2–7.

[40 FR 53252, Nov. 17, 1975, as amended at 43 FR 37456, Aug. 23, 1978]

2–8 Unaudited items.

(a) When the amount of any item affecting these accounts can not be accurately determined in time for inclusion in the accounts of the calendar year in which the transaction occurs, the amount of the item shall be estimated and included in the proper accounts. When the item is audited the necessary adjustments shall be made through the accounts in which the estimate was recorded. If, during the interval between the date of inclusion of the item in the accounts and the date on which it is audited, a substantial difference from the initial estimate is determined, appropriate adjustments shall be made in the current accounts to cover such difference. The carrier is not required to anticipate small items which would not appreciably affect these accounts.

(b) If, owing to exceptional conditions, a carrier finds a modification of the instructions in paragraph (a) of this section necessary, it shall furnish a statement of its proposed plans to the Commission for approval before adoption.

2–9 Spreading of unusual income; revenue and expense items.

When the amount of any unusual item includible in an income, operating revenue, or operating expense account for a single period is relatively so large that its inclusion in the accounts for that period would seriously distort those accounts it may be included in account 1890, Other Deferred Debits, or account 2450, Other Deferred Credits, as appropriate, and distributed in equal amounts to the accounts for the current and remaining periods of the year.

No such item shall be spread beyond the accounts of the current year without authority of the Commission.

2-10 Current assets.

(a) In the group of accounts designated as Current Assets (accounts 1000 to 1190, inclusive) there shall not be included any item the amount or collectibility of which is not reasonably assured or for which provision has not been made in a reserve. Items of current character but of doubtful value may be carried in these accounts at a nominal value or included in account 1890, Other Deferred Debits, at book cost or nominal value, or written off, as may be appropriate.

(b) Adjustments to accomplish the writing down of items of doubtful value not covered by reserves shall be made through account 4680, Uncollectible Revenues, account 7500, Other Deductions, or other appropriate ordinary income account.

2-11 Discount or premium on securities of other companies.

(See instruction 15.)

2-12 Discount; expense and premium on capital stock.

(a) This system of accounts provides accounts for discounts, commissions and expenses on capital stock and another account for premium on capital stock. These accounts shall be subdivided for each class and series of capital stock issued by the carrier. Commission and expenses applicable to capital stock issues shall be included in the commission and expense account and shall not be deducted from premium on capital stock.

(b) In stating the balance sheet, discount on capital stock shall not be netted against premiums.

(c) General levies or assessments against stockholders shall be credited to the premium account for the particular class and series of capital stock so assessed, except that assessments with respect to nonpar stock without stated value shall be credited to the capital stock account.

(d) Discounts and expenses on capital stock may be amortized by charges to account 2900, Unearned Surplus. However, in no event shall net debits ex-

ceed the accumulated net credits in unearned surplus. Any excess of debits may be retained in account 1900, Discount on Capital Stock, or account 1910, Commission and Expense on Capital Stock, as appropriate, until the stock is reacquired or retired, or the excess debits may be charged to account 2946, Other Debits to Surplus.

(e) Discount and expenses on capital stock reacquired or retired shall be accounted for in accordance with instruction 14.

2-13 Discount; expense and premium on long-term obligations.

(a) A separate subdivision shall be maintained in account 23700, Unamortized Discount on Debt, for the excess of discount over any premium related to each class of long-term debt issued or assumed by the carrier. Debt expense shall be included in account 1890, Other Deferred Debits. (See definitions 20, 23, 32.)

(b) Corresponding subdivisions shall be maintained in account 2380, Unamortized Premium on Debt, for the excess of the premium over any discount related to each class of long-term debt issued or assumed by the carrier.

(c) Each period there shall be credited to each subdivision of account 2370, Unamortized Discount on Debt, the amount applicable to such period under a plan of amortization, the application of which will equitably distribute the balance therein over the life of the security. Amounts thus credited shall be concurrently charged to account 7300, Amortization of Debt Discount and Expense.

(d) Correspondingly, each period there shall be charged to each subdivision of account 2380, Unamortized Premium on Debt, the portion of such credit balance which is applicable to that period. Amounts thus charged shall be concurrently credited to account 7400, Amortization of Premium on Debt.—Credit.

(e) Except as provided in paragraphs (c) and (d) of this section, the balances in each of these accounts or subdivisions thereof shall be carried until the reacquisition of the securities to which it relates. At that time (unless otherwise ordered by the Commission in the

case of an exchange of securities) the portion of the balances in these accounts, or subdivision for the particular class of long-term debt reacquired, shall be transferred to account 6500, Other Nonoperating Income, or account 7500, Other Deductions, as appropriate. Such portion shall be based on the relation of the amount of the particular issue of long-term debt reacquired to the total outstanding before the reacquisition. This provision shall also apply to securities held alive in sinking or other funds under instruction 14.

(f) Except for such discount or expense as may be applicable to the construction period, no discount or expense on long-term debt shall be included in any account as a part of the cost of acquiring any property or as a part of the cost of operation.

[32 FR 20280, Dec. 20, 1967, as amended at 41 FR 52468, Nov. 30, 1976]

2-14 Company securities owned.

(a) *Capital stock.* (1) When an issue of capital stock or any part thereof is reacquired, either by purchase or donation, and is retired or cancelled, the par value shall be charged to account 2700, Preferred Capital Stock, or account 2710, Common Capital Stock. Any excess of reacquisition cost over par value shall be allocated between account 2900, Unearned Surplus and account 2946, Other Debits to Surplus. Any excess of par value over reacquisition cost shall be credited to account 2900, Unearned Surplus.

(2) When an issue of capital stock or any part thereof is reacquired, either by purchase or donation, and is not retired or cancelled, nor properly includible in sinking or other funds, the reacquisition cost shall be charged to account 2947, Treasury Stock.

(3) When treasury stock is resold, account 2947, Treasury Stock, shall be credited with the cost paid for it. Gains shall be credited to account 2900, Unearned Surplus. Losses shall be charged to account 2900, Unearned Surplus to the extent that previous net gains from sales or retirements of the same class of stock are included therein; otherwise, to account 2946, Other Debits to Surplus.

(b) *Equipment and long-term obligations.* (1) Equipment and other long-term obligations reacquired by the carrier shall be entered in account 1920, Reacquired Securities, at face value. The difference between the face value and the amounts actually paid for the reacquired obligations shall be included in account 6500, Other Nonoperating Income, or account 7500, Other Deductions, as appropriate. (See instruction 7). Likewise, any unamortized debt discount, expense or premium, applicable to the reacquired obligations, shall be adjusted through account 6500 or account 7500, as appropriate.

(2) When reacquired equipment and other long-term obligations are resold by the carrier, the amount included in account 1920, Reacquired Securities, shall be credited thereto and any difference between the total amount realized from the sale (less related commissions and expenses) and the credit to account 1920 shall be included in account 6500 or account 7500, as appropriate, unless otherwise ordered by the Commission.

[32 FR 20280, Dec. 20, 1967, as amended at 40 FR 44564, Sept. 29, 1975]

2-15 Book cost of securities owned.

(a) Securities of others acquired by the carrier shall be recorded in these accounts at cost at the time of acquisition. Cost does not include any amount paid for accrued interest or dividends.

(b) (1) Accounts 1060 "Temporary cash investments", 1600 "Investments and advances—Associated Companies", and 1650 "Other investments and advances" shall be maintained in such a manner as to reflect the marketable equity securities' portion (see definition 1-45) and other securities or investments.

(2) For the purpose of determining net ledger value, the marketable equity securities in account 1060 shall be considered the current portfolio and the marketable equity securities in accounts 1600 and 1650 (combined) shall be considered the noncurrent portfolio. The net ledger value of each portfolio shall be the lower of its aggregate cost or market value (see definition 1-45). The amount by which aggregate cost

exceeds market value shall be accounted for as the valuation allowance. Account 1060 "Temporary cash investments" shall be subdivided to include the valuation allowance for the marketable equity securities included therein. Account 1676 "Allowance for net unrealized loss on noncurrent marketable equity securities" is the valuation allowance for the marketable equity securities included in accounts 1600 "Investments and advances—Associated companies" and 1650 "Other investments and advances". Marketable equity securities accounted for by the equity method shall not be combined with other marketable equity securities when determining aggregate cost and market value.

(3) Realized gains and losses (the difference between net proceeds from sale and cost) shall be included in income of the period in which they occur. Changes in the valuation allowance for marketable equity securities included in account 1060 shall be charged to account 7500 "Other deductions" or credited to account 6500 "Other nonoperating income" as appropriate, with a contra entry to the valuation allowance contained within account 1060. Changes in the valuation allowance for marketable equity securities included in account 1600 and 1650 shall be recorded in equity account 2946.5 "Net unrealized loss on noncurrent marketable equity securities" with a contra entry to valuation account 1676.

(4) If there is a change in the classification of a marketable equity security between current and noncurrent, the security shall be transferred at the lower of its cost or market value at date of transfer. If market value is less than cost, the market value shall become the new cost basis, and the difference shall be accounted for as if it were a realized loss and included in the determination of net income.

(5) The accounting company shall write down the ledger value of any securities to the extent of impairment in their value or write off entirely if there is no reasonable prospect of realizing any value therefrom. For long term investments in marketable equity securities, when the decline in market value below cost is judged to be other than temporary, the cost basis of the indi-

vidual security shall be written down to a new cost basis. The amount of the write-down shall be accounted for as a realized loss by a charge to account 7500 "Other deductions" and a credit to account 1675 "Reserve for adjustment of investment in securities". The new cost basis shall not be changed for subsequent recoveries in value.

(c) When securities with a fixed maturity date are purchased at a discount (that is when the total cost including brokerage fees, taxes, commissions, etc., is less than par), such discount may be amortized over the remaining life of the securities through periodic debits to the account in which the securities are carried (preferably coincident with entries recording interest accruals) and credits to the same account in which the interest revenue is credited. No debits shall be made in respect to discount upon securities held as investments or in special funds if there is reason to believe that such securities will be disposed of by redemption or otherwise at less than par or will not be paid at the date of maturity.

(d) When securities with a fixed maturity date are purchased at a premium (that is when the total cost including brokerage fees, taxes, commissions, etc., is in excess of par), such premiums may be amortized over the remaining life of the securities through periodic credits to the account in which the securities are carried (preferably coincident with entries recording interest accruals) and debits to the same account in which the interest revenue is recorded.

(e) Profits and losses resulting from the sale of securities of others shall be included in accounts 6500, Other Nonoperating Income, or 7500, Other Deductions, as appropriate.

(f)(1) For financial statement purposes the carrier shall follow the principles of equity accounting for (1) all investments in corporate joint ventures (see definition 1-42(c)), and (2) all investments in voting stock of affiliated companies giving the carrier the ability to significantly influence the operating and financial policies of an investee (see definition 1-42(b)). For purposes of this instruction an investment of 20 percent or more of the outstanding voting stock of an investee

will indicate the ability to exercise significant influence over an investee in the absence of evidence to the contrary.

(2) Since the equity method is not to be effected by entries in the books of accounts but is to apply only in financial reports to the Commission, the carrier shall establish worksheet or memorandum accounts. Three basic worksheet or memorandum accounts are needed:

(i) An investment account to include (1) equity in the undistributed earnings or losses of the investee since the date of acquisition (see definition 1–42(g)); (2) accumulated amortization of the difference between cost and net assets at date of acquisition (see (f)(3) below); and other adjustments for disposition or writedown of investments.

(ii) An income account to include (1) the investor's share of the investee's undistributed profits or losses for each reporting period subsequent to acquisition of the investment except that in the year of acquisition such amount shall be determined from the date of acquisition; (2) amortization for the reporting period of the difference between cost and net assets at date of acquisition. This account shall be closed at year-end to the retained income memorandum account discussed in paragraph (f)(2)(iii) of this instruction.

(iii) A retained income account to include (1) equity in the undistributed earnings or losses of the investee since the date of acquisition; (2) accumulated amortization of the difference between cost and net assets acquired at date of acquisition (see (f)(3) below).

(iv) Other memorandum accounts will be needed for such adjustments as gains and losses on disposition of investments, recognition of impairments in value, the investor's share of extraordinary and prior period items reported in the investee's financial statements (see instruction 2–7), and provision for deferred taxes where it is reasonable to assume that undistributed earnings of an investee will be transferred to the investor in a taxable distribution. These memorandum accounts shall be closed at year-end to the retained income memorandum account discussed in paragraph (f)(2) (iii) of this instruction.

(3) The carrier shall retain the following information for each investee in support of the worksheet or memorandum accounts:

(i) Original cost of investment.

(ii) Equity in net assets of investee at date of acquisition.

(iii) Allocation of difference between cost and equity in net assets, namely, to specific assets of investee or to goodwill.

(iv) Accumulated amortization of difference between cost and equity in net assets.

(v) Unamortized balance of difference between cost and equity in net assets.

(vi) Equity in undistributed earnings/losses for each year since date of acquisition.

(vii) Dividends received since date of acquisition if determinable.

(viii) Proceeds from sale of investments.

(4) Any difference between the investor's cost and its share of the net assets of the investee at date of acquisition shall be allocated to specific assets of the investee to the extent the difference is attributable to them. When the difference is allocated to depreciable or amortizable assets, depreciation and amortization (through the investment and income memorandum accounts) should absorb the difference over the remaining life of the related assets. If the difference is not related to specific accounts, it should be considered goodwill and amortized over a reasonable period not to exceed 40 years. For investments made prior to November 1, 1970, amortization of goodwill is not required in the absence of evidence that the goodwill has a limited term of existence.

(5) The financial statements of the investee that are used for equity accounting should be timely. If the accounting year of the investee differs from that of the investor then the most recent available financial statements may be used. The lag in reporting should be consistent from period to period.

(6) Material profits or losses on transactions between the investor and investee shall be eliminated until realized by either company as if the two were consolidated.

(7) A transaction of the investee of a capital nature that affects the investor's share of the investee's stockholder's equity should be reported in the financial statements as if the two were consolidated.

(8) The investor shall deduct any dividends applicable to outstanding cumulative preferred stock whether or not declared, and any other dividends declared when computing its share of undistributed earnings or losses.

(9) The investor shall suspend application of the equity method when the investment (including the investment memorandum account) together with any net advances made to the investee is reduced to zero. Additional losses shall not be provided for unless the investor has guaranteed obligations of the investee or is otherwise committed to provide further financial support for the investee. If the investee subsequently reports net income the investor shall resume applying the equity method at such time as its share of that net income equals the share of net losses not recognized during the period of suspension.

(10) When the investor's voting stock interest falls below the level of ownership described in paragraph (f)(1) of this instruction, the investment no longer qualifies for the equity method. Should dividends received on the investment in subsequent periods exceed the investor's share of earnings for such periods, the investment memorandum and income memorandum accounts shall be reduced by the excess amount.

(11) When the level of ownership of an investment increases to that described in paragraph (f)(1) of this instruction, the equity method shall be applied. The memorandum accounts for the investment, income (for current year's equity in undistributed earnings less amortization), and retained income (for prior years' equity in undistributed earnings less amortization) shall be adjusted retroactively on a step-by-step basis determining the equity in net assets at date of acquisition, amortization adjustment, and equity in undistributed earnings or losses at each level of ownership. Where small purchases are made over a period of time and then a purchase is made which qualifies the

investment for the equity method, the date of latest purchase may be used as date of acquisition. In those situations where the information needed to apply the equity method is not determinable, the date of acquisition may be considered as January 1, 1974.

(12) Information having significance with respect to the investor's ownership in investees shall be disclosed in notes to financial statements of annual reports filed with the Commission in accordance with generally accepted accounting principles.

NOTE: The carrier shall follow generally accepted accounting principles where an interpretation of the rules for equity accounting is needed or obtain an interpretation from its public accountant or the Commission.

[32 FR 20280, Dec. 20, 1967, as amended at 39 FR 34046, Sept. 23, 1974; 40 FR 53252, Nov. 17, 1975; 42 FR 33300, June 30, 1977]

2-16 Clearing accounts; purpose.

(a) Clearing accounts, designed to facilitate the distribution of certain expenditures which may affect both construction and operations or which may affect transportation and other operations, may be kept when necessary in making the proper distribution of items to the appropriate accounts.

(b) Balances in clearing accounts shall be fully cleared not later than the end of the calendar year unless items held therein unquestionably relate to future periods. Items carried over shall be included in account 1890, Other Deferred Debits, or account 2450, Other Deferred Credits.

2-17 Deduction of reserves.

In stating the balance sheet, reserves shall be shown separately and shall be deducted from the specific assets to which they apply. Reserves not applicable to specific assets shall be shown on the liability side.

2-18 Disclosure of contingent assets and liabilities and long-term obligations.

(a) Contingency gains and losses shall be disclosed by footnotes to the balance sheet. This includes any arrears in cumulative dividends showing the amount per share of each class of

stock and the facts and amounts related to any default in principal, interest or sinking fund provisions if not shown in the balance sheet accounts.

(b) Commitments under unconditional purchase obligations associated with suppliers' financing arrangements and future payments on long-term borrowings and redeemable stock shall be disclosed in accordance with generally accepted accounting principles. Such disclosures shall not preclude accounting recognition if the substance of a financing arrangement is the acquisition of an asset or incurrence of a liability.

[47 FR 4266, Jan. 29, 1982]

2-19 Operating property to be recorded at cost.

(a) Amounts chargeable to the accounts 1200 and 1300, designated as carrier operating property accounts, shall be the actual cost to the carrier of the items properly includible therein also including the excess cost of improvements over the estimated cost at current prices of property removed and replaced, and shall be exclusive of any cost for intangible items includible in any of the subdivisions of account 1500, Organization, Franchises and Permits, or account 1550, Other Intangible Property. (See, however, instruction 20.)

(b) The book cost of the construction or acquisition of property chargeable to the carrier operating property accounts 1200 and 1300 shall include the cost of direct labor, indirect labor, materials, transportation, contract work, rent of construction facilities, taxes and interest during construction; also such portion of engineering, supervision, law expenditures, injuries and damages, compensation and other insurance, as is applicable to the construction period; and other analogous elements applicable to the construction and acquisition of property. Unless provided for otherwise, interest costs shall be capitalized in accordance with generally accepted accounting principles.

(c) Any unit of property, including additions to or betterments of existing property, having a cost not in excess of \$500.00, or having a life of one year or less, may be charged to the appropriate operation and maintenance expense or clearing account and not to the prop-

erty account. However, if small tools, portable equipment and similar items are consumed directly in construction work, the cost may be included as part of the cost of the constructed unit. This is not to be construed as authorizing the parceling of expenditures to bring them within this limit, or the inconsistent application of any rule or practice adopted by the carrier regarding the same item or class of property. Changes in method of applying this rule, shall be reported to the Commission.

(d) When operating property is purchased under any plan involving deferred payments, no charges shall be made to operating property accounts for interest, insurance, or other expenditures occasioned by such form of payment.

(e) When the consideration given for property is anything other than cash, the cash value of such consideration shall be used, except that where physical property is received in exchange for physical property, such property shall be recorded at the net book cost of the property given in exchange. In the journal entry recording such a transaction the actual consideration shall be described with sufficient particularity to identify it. The carrier shall be prepared to furnish to the Commission the particulars of its determination of the cash value of the consideration if other than cash.

[32 FR 20280, Dec. 20, 1967, as amended at 46 FR 10920, Feb. 5, 1981; 46 FR 45959, Sept. 16, 1981]

2-20 Acquisition of a distinct operating unit.

(a) When a motor carrier system or portion thereof constituting a distinct operating unit (see definition 24) is acquired by purchase or merger or consolidation in a pooling of equity interests of stockholders the accounting therefor shall be as follows:

(1) *Purchase.* (i) When purchase is made from a non-affiliated company the assets acquired, other than carrier operating property, non-carrier operating property and other non-operating property includible in accounts 1200, 1300, 1400 and 1450, and the liabilities assumed shall be recorded in the appropriate accounts at the amounts carried

on the books of the transferor at date of consummation of the transaction. Such amounts shall be adjusted, as may be necessary, to conform with the rules in this system of accounts. The carrier operating property, non-carrier operating property and other non-operating property acquired shall be recorded in the appropriate subaccounts under accounts 1200, 1300, 1400 and 1450 based upon the fair market value or the cost specified in the purchase agreement if the latter does not exceed the fair market value of such property acquired. When the properties are recorded at cost specified in the purchase agreement or fair market value such amounts must be supported by report of a disinterested qualified appraiser and such additional evidence as the Commission may require. When an appraisal has not been obtained the original cost of carrier operating property, non-carrier operating property and other non-operating property together with the related depreciation reserves as shown in the books of seller shall be recorded in the accounts in lieu of market value.

(ii) When purchase is made from an affiliated company the assets acquired including carrier operating property, noncarrier operating property and non-operating property, together with the related depreciation reserves and the liabilities assumed shall be recorded in the appropriate accounts at the amounts carried on the books of the affiliated transferor, adjusted, as may be necessary to conform with the rules in this system of accounts.

(iii) The amount of the consideration paid in excess of the net assets acquired shall be included in account 1550, Other Intangible Property.

Where the consideration paid is less than the net assets acquired recorded in accordance with the foregoing provisions the difference shall be credited to account 2720, Premiums and Assessments on Capital Stock, where the consideration is paid in capital stock, and to account 2900, Unearned Surplus, where the consideration is paid in other than capital stock.

(2) *Merger or consolidation in a pooling of equity interests of stockholders.* (i) When a distinct operating unit is acquired by merger or consolidation in a

pooling of equity interests of stockholders, in which all or substantially all of such equity interests in the predecessor company continue, as such, in a surviving company (which may be the transferee or a new company, created for the purpose) the assets, liabilities and the earned surplus or deficit, if any, of the predecessor company shall be recorded in the accounts of the transferee at amounts carried on the books of the predecessor company at date of consummation of the transaction. Such amounts shall be adjusted, if necessary, to conform with the rules in this system of accounts. Where one of the constituent corporations is clearly dominant and its stockholders obtain 90 percent or more of the voting interest in the combined enterprise there is a presumption that the transaction is a purchase rather than a pooling of interests and the transaction shall be so accounted for unless otherwise directed or authorized by the Commission.

(ii) When the total par value or stated value of no par capital stock of the surviving company is more than the aggregate total of the capital stock of the separate companies before merger or consolidation the excess shall be charged to account 2900, Unearned Surplus, or to account 2930, Earned Surplus, if unrestricted unearned surplus is not available for such purpose.

When the total par value or stated value of no par capital stock of the surviving company is less than the aggregate total of the capital stock of the separate companies before merger or consolidation, the difference shall be credited to account 2900, Unearned Surplus.

(3) *Records.* Detailed records, including copy of appraisal reports, shall be maintained showing the basis used for computing amounts included in accounts 1200, 1300, 1400, 1450, 1550, 2900, 2930, and other accounts. Full supporting details showing the purchase price, the principals from whom the property was acquired, and agents who represented such principals shall be stated in the journal entries recording the acquisition of the property.

2-21 Operating property retired.

When carrier operating property (see definition 10) ceases to be used (see definition 40) it shall be retired. If not dismantled or otherwise disposed of, it shall be transferred to account 1400, Non-Carrier Operating Property, or account 1450, Non-Operating Property, as appropriate. (See instruction 23.)

(a) *Property under “unit plan” of depreciation.* When a unit of property on which depreciation charges were accrued under the unit plan (see definition 22) is retired from service, the book cost of such property shall be credited to the appropriate property account and concurrently charged, together with the cost of removal, to the depreciation reserve account. Any salvage or insurance recovered, including amounts provided for in any insurance or other reserve with respect to the retired property when such reserve covers the cause of retirement, shall be credited to the depreciation reserve. Any difference remaining in the depreciation reserve after the above entries shall be charged or credited as appropriate to account 5091, Depreciation Adjustment.

(b) *Property under “group plan” of depreciation.* When a unit of property, on which depreciation charges were accrued under the group plan (see definition 22), is retired from service, the book cost thereof shall be credited to the appropriate property account and concurrently charged, together with the cost of removal, to the depreciation reserve account. Any salvage or insurance recovered, including amounts provided for in any insurance or other reserve with respect to the retired property, when such reserve covers the cause of retirement, shall be credited to the depreciation reserve account.

(c) *Minor items.* When the property retired constitutes a minor item (see definition 28), the book cost of which has been or will be accounted for by its inclusion in the unit of property of which it is a part when such unit of property is retired, no adjustment of the operating property account or depreciation reserve is required therefor. When a minor item is retired and replaced, with property of like purpose, the entire cost of replacement shall be charged to the account appropriate for

the cost of repairs of the property retired, except that if the replacement effects a betterment (see definition 7), there shall be charged to the property account, the excess cost of the replacement over the estimated cost at current prices of the items retired (see instruction 19 (c)): *Provided*, That property bettered shall not be carried in excess of the current cost new of equivalent property.

(d) *Land.* When land is sold, the book cost shall be credited to the land account and any difference between the book cost and the sales price, less commissions and expenses on the sale, shall be adjusted through account 6500, Other Non-operating Income, or account 7500, Other Deductions, as appropriate.

(e) *Determination of book cost.* The book cost of operating property retired shall be the amount at which such property is included in the operating property accounts including all items set forth in instruction 19. Such costs shall be determined from the carrier's records when this can be done, as in the case of land, structures, revenue automotive equipment, service equipment, furniture, and other items of operating property for which individual cost records are available. When the actual book cost cannot be determined from the records, it shall be estimated. When it is impracticable to determine the book cost of each item due to the relatively large number and/or small cost of such items, the average book costs of all the items, with due allowance for differences in size or character, shall be used as the book cost of the items retired. The latter method may be applied in retirement of such items as spare parts, tools, etc.

(f) *Intangibles.* The accounting for the retirement of items included in account 1511, Franchises, account 1541, Patents, and intangible elements with limited terms included in account 1201, Land and Land Rights, shall be as provided in the texts of account 2600, Reserve for Amortization—Carrier Operating Property, and account 5100, Amortization of Carrier Operating Property.

(g) *Sale of property.* When operating property used in transportation operations is sold together with the transportation business associated therewith, the book cost of the property shall be credited to the appropriate operating property accounts and the amounts carried with respect thereto in the depreciation and amortization reserve accounts, estimated if necessary, shall be charged to such reserves. The difference, if any, between (1) the net amount of such debit and credit items, and (2) the consideration received for the property, shall be included in account 6500, Other Non-operating Income, or account 7500, Other Deductions, as appropriate. (See instruction 7.)

[32 FR 20280, Dec. 20, 1967, as amended at 40 FR 53252, Nov. 17, 1975]

2-22 Leased property; expenditures.

(a) Except as provided in paragraph (b) of this section, the cost of initial improvements, including rearrangements, additions and betterments to property leased from others made in the course of preparing the property for motor carrier operations and the cost of any subsequent additions to and betterments of such leased property shall be charged to the operating property account 1271, Improvements to leasehold property. Depreciation on such expenditures shall be provided for in accordance with instruction 25.

(b) When the cost of alterations to leased transportation property otherwise chargeable to account 1271, Improvements to leasehold property, is not in excess of \$500.00 or the period of the lease is less than one year, the cost may be charged to the accounts chargeable with the cost of repairs to such property. Changes in method of applying this rule shall be reported to the Commission.

[46 FR 45959, Sept. 16, 1981]

2-23 Transfer of property.

Property transferred between accounts 1200, Carrier Operating Property, 1300, Carrier Operating Property Leased to Others, and accounts 1400, Non-Carrier Operating Property, 1450, Non-Operating Property, shall be charged or credited, as appropriate, to

the carrier operating property accounts 1200 and 1300 at its book cost with the debits or credits to the appropriate accounts for the accrued depreciation and amortization to date of transfer.

2-24 Common property.

(a) If the carrier is engaged in forms of enterprise other than motor carrier operations and any of its carrier operating property is used in common for two or more purposes to such an extent and in such manner that it is otherwise impracticable to segregate it in the accounts, an allocation of the book cost thereof shall be made and the portion so ascertained to be assignable to motor carrier operations shall be recorded in the carrier operating property accounts 1200 and 1300. The remainder shall be recorded in accounts 1400 or 1450 as appropriate. It is not contemplated that minor or temporary changes in conditions shall necessitate frequent reallocations of common property.

(b) The carrier shall be prepared to show at any time and to report to the Commission when required, and by carrier operating property accounts 1200 and 1300 the following:

(1) The book cost of common property.

(2) The allocation of such cost to carrier operations and other purposes for which the jointly operated property is used, and

(3) The basis of the allocation.

(c) The expenses of operation, maintenance, depreciation and amortization of common property shall be recorded in the accounts prescribed in this part and the allocation of such expenses to the carrier operations shall be supported in the same manner as the allocation of the cost of such property.

2-25 Depreciation accounting.

(a) There shall be charged each month (or 4-week period) to account 5000, Depreciation Expense, and credited to account 2500, Reserve for Depreciation—Carrier Operating Property, during the service life of depreciable property, included in account 1200, Carrier Operating Property, amounts which will approximate the loss in service value not restored by current

maintenance or covered by insurance, the effect of which can be forecast with a reasonable approach to accuracy. The straight-line method of computing depreciation (see definition 38) shall be used and the current depreciation charge shall be obtained by applying the applicable portion of the annual percentage rate to the book cost balances, except that the mileage method (see definition 27) may be used on automotive equipment, in which event the rate per mile shall be applied to the number of miles traveled each period. In no event, however, shall the charges based on such mileage method be less during any calendar year than would result from the application of rates based on the straight-line method.

Carriers engaged in seasonal operations may apportion the estimated annual depreciation charge over the months in which operations are actually conducted.

(b) Depreciation charges on property included in accounts

- 1211 Structures
- 1221 Revenue Equipment
- 1231 Service Cars and Equipment

shall be computed on the unit plan (see definition 22) under the straight-line method. Depreciation charges on any unit of property which is depreciated under the unit plan shall cease when the estimated service value shall have been credited to the depreciation reserve.

(c) Depreciation charges on property included in accounts

- 1241 Shop and Garage Equipment
- 1251 Furniture and Office Equipment
- 1261 Miscellaneous Equipment

shall be computed under either the unit plan or the group plan. (See definition 22.) If the group plan is used the current depreciation charge shall be determined by applying the applicable portion of the annual percentage rate to the sum total of the book cost balances of the property included in each account, or subdivisions thereof, at the rate determined from weighted averages of service lives of the property included therein.

(d) Depreciation charges on property included in account 1271—Improvements to Leasehold Property, shall be made upon the same basis as for simi-

lar depreciable property includible in other property accounts. However, where it is reasonably certain that the lease will not be renewed and the property will revert to the lessor it should be depreciated over the remaining period of the lease or its estimated service life, whichever is less.

(e) Depreciation charges upon operating property constituting a distinct operating unit (see definition 24), leased from others under terms whereby the carrier has exclusive possession, shall be made on the same basis as for owned depreciable property. (See instruction 30.) Records shall be maintained similar to those for owned property showing the cost, service life and salvage value for each unit of depreciable operating property leased from others.

(f) Depreciation charges on operating property constituting a distinct operating unit (see definition 24) leased to others for transportation operations, when the lessee has exclusive possession, shall be charged to account 5500, Income from Lease of Carrier Property, Credit, with concurrent credits to account 2500, Reserve for Depreciation—Carrier Operating Property.

(g) Depreciation expense on non-carrier operating property and non-operating property shall be charged to the appropriate Other Income account and credited to account 2610, Reserve for Depreciation and Amortization, Other Property.

2-26 Cost of repairs.

(a) The cost of repairs chargeable to the various operation and maintenance expense accounts includes labor employed, materials used, and expenses incurred in all current maintenance (not including depreciation and amortization), such as:

(1) Inspecting, testing, and reporting on the condition of operating property specifically to determine the need for repairs, minor replacements, rearrangements, and changes.

(2) Testing for, locating, and clearing trouble.

(3) Routine work to prevent trouble, such as general overhauling, removing carbon, grinding valves, adjusting and relining brakes, adjusting shock absorbers, cleaning and adjusting engines, etc.

(4) Replacing minor items of operating property. (See also instruction 21(c).)

(5) Rearranging and changing the location of property not retired.

(6) Restoring the condition of property damaged by wear and tear, storms, breakage, floods, fire, accident, or other casualties. (See also paragraph (b) of this section.)

(7) Training employees, for repair work.

(8) Inspecting and testing after repairs have been made.

(b) Materials recovered in connection with repairs to property shall be credited to the same account to which the repair cost was charged.

(c) If employees engaged in transportation, station or terminal service are also required to make repairs, an equitable proportion of their pay and expenses shall be charged to the account appropriate for the cost of such repairs. (See instruction 28.)

(d) If the book cost of any property is carried in account 1281, Undistributed Property, the repairs to such property shall be charged to the accounts provided for repairs to property of the same nature and use, the book cost of which is carried in other operating property accounts. Repairs to property leased from others shall be treated in like manner.

2-27 Insurance.

(a) Provision has been made under Operation and Maintenance Expenses for recording amounts of premiums paid outside insurance companies in accounts as follows:

4520 Public Liability and Property Damage Insurance.

4541 Workmen's Compensation, Insurance.

4550 Baggage and Express Insurance.

4570 Fire and Theft Insurance.

4580 Other Insurance.

Premiums paid in advance shall be charged to account 1170, Prepayments, and equitably distributed to the appropriate accounts over the period for which the premiums have been paid, except minor premiums which may be charged direct and premiums chargeable to construction.

(b) Carriers authorized by the Commission to accrue charges for the purpose of estimating losses sustained by

others not covered by commercial insurance and representing liabilities to the carrier, such as bodily injury and property damage insurance and cargo loss and damage insurance, shall record periodic charges to the appropriate expense accounts in amounts sufficient to cover estimated losses based on the carrier's experience.

(c) The following accounts have been provided under Operation and Maintenance Expenses for the purpose of estimating amounts sufficient to settle claims by others for the classes of risks cited above which are not covered by commercial insurance:

4530 Injuries and Damages.

4546 Workmen's Compensation—Provision for Claims.

4560 Baggage and Express Loss and Damage.

4570 Fire and Theft Insurance.

4580 Other Insurance.

Accruals for estimated claims from injuries and damages, workmen's compensation and baggage and express loss and damage shall be included in account 2680, Injuries, Loss and Damage Reserves. The carrier shall not accrue amounts to cover risk of loss or damage to its property from fire, theft, or similar loss contingencies.

Periodic charges to expense accounts for the purpose of creating accruals for the estimated liability for losses sustained by others not covered by outside insurance shall be determined currently by the carrier from its best source of information and the rates used may be based on percentage of revenue, mileage of buses, amount of payrolls or other equitable basis.

[32 FR 20280, Dec. 20, 1967, as amended at 37 FR 25845, Dec. 5, 1972; 41 FR 32598, Aug. 4, 1976]

2-28 Distribution of pay and expenses of employees.

The charges to investments, operation and maintenance expenses, and other accounts for services and expenses of employees engaged in activities chargeable to various accounts, shall be based upon the actual time engaged in the respective classes of work, or in case that method is impracticable, upon the basis of a study of the

time actually engaged during a representative period. The pay and expenses of an employee of one department who occasionally performs incidental services involving but small expense for another department may be included in the expense of the department in which the employee is regularly employed.

2-29 Joint expenses.

Where the carrier owns the joint facility, any amounts received as reimbursement of operation and maintenance costs shall be credited to the appropriate joint facilities—credit account under maintenance and garage expenses; station and terminal expenses; or administrative and general expenses. Any amounts received for depreciation, taxes and return on the joint facility, shall be credited to account 5390, Joint Facility Rents—Credit. Similarly, any amounts paid by the carrier under joint facility arrangements for operating and maintenance costs shall be charged to the appropriate joint facilities—debit account in the operation and maintenance expense group of accounts and any amounts paid for depreciation, taxes and return on the joint facility, shall be charged to account 5340, Joint Facility Rents—Debit.

2-30 Rent and lease of carrier property.

(a) Provision is made in the several subdivisions of account 5300, Operating Rents—Net, for rents receivable and payable for use of property other than that constituting a distinct operating unit or system. (See definition 24.)

(b) Taxes payable by the lessee upon property rented or leased shall be included in account 5200, Operating Taxes and Licenses, by the lessee.

(c) Other expenses payable by the lessee shall be included in the appropriate accounts on the books of the lessee.

(d) Amounts payable for use of operating property constituting a distinct operating unit (see definition 24) leased from others under terms whereby the carrier has exclusive possession shall be apportioned between rent and depreciation. The portion covering rent shall be included in account 5400, Rent for Lease of Carrier Property—Debit, and

the portion covering depreciation shall be included in account 5000, Depreciation Expense. (See instruction 25.)

(e) The lessor shall credit the amount receivable for use of the property leased to account 5500, Income from Lease of Carrier Property—Credit. The lessor shall charge the estimated depreciation accrual to account 5500 and credit account 2500, Reserve for Depreciation—Carrier Operating Property.

(f) If settlement for either rent or depreciation is not made currently the amounts thereof shall be accrued by both lessor and lessee in harmony with the instructions in paragraphs (c) and (d) of this section. The amounts accrued receivable, and payable, should be included in appropriate accounts classified under accounts 1890, Other Deferred Debits, and 2450, Other Deferred Credits, by the lessor and lessee, respectively.

2-31 Amortization of intangibles.

(a) For intangible assets acquired after December 31, 1979, the cost of the asset shall be amortized by systematic charges to account 5100, Amortization of Carrier Operating Property, or account 7500, Other Deductions, as prescribed by the account texts for accounts in the 1500 series. Systematic charges shall be made over the period of useful life not to exceed 40 years from the date of acquisition. Such charges shall be based on the straight line method of amortization unless the carrier demonstrates that another method more adequately reflects the decline in economic service value of the asset.

(b) For unamortized intangible assets acquired after October 31, 1970, but before December 31, 1979, the cost of the assets shall be adjusted in the accounts to retroactively reflect the generally accepted accounting principle of amortization of intangible assets. Subsequent accounting shall be in accordance with paragraph (a) above.

(c) For intangible assets held before November 1, 1970, the carrier shall consider the life expectancy of the asset to determine the appropriate accounting. Intangible assets with limited lives shall be amortized over their estimated

period of future use. A retroactive adjustment shall be necessary if the particular intangible asset has never been amortized. Intangible assets with indeterminate lives may remain unamortized or may be amortized prospectively over a period of 40 years from date of acquisition.

[46 FR 59545, Dec. 7, 1981]

2-32 Accounting for income taxes.

(a) The interperiod tax allocation method of accounting shall be applied where material timing differences (see definition 1-41(e)) occur between pretax accounting income and taxable income. Carriers may elect, as provided by the Revenue Act of 1971, to account for the investment tax credit by either the flow through method or the deferred method of accounting. See paragraphs (d) and (e) below. All income taxes (Federal, state and other) currently accruable for income tax return purposes shall be charged to account 8000, Income taxes on ordinary income, and account 9050, Income taxes on extraordinary items, as applicable.

(b) Under the interperiod tax allocation method of accounting the tax effect of timing differences (see definition 1-41) originating in the current accounting period are allocated to income tax expense of future periods when the timing differences reverse. Similar timing differences originating and reversing in the current accounting period should be combined into groups and the current tax rates applied to determine the tax effect of each group. A carrier shall not apply other than current tax rates in determining the tax effect of reversing differences except upon approval of the Commission. When determining the amount of deferred taxes, rather than computing state and other taxes individually by jurisdiction, the Federal income tax rate may be increased by a percent equivalent to the effect of taxes imposed by the jurisdictions. In classifying a deferred charge or credit as current or noncurrent a carrier shall follow the classification criteria used for the related asset or liability which caused the timing difference. A deferred charge or credit that is not related to an asset or liability because (1) there is no associated asset or liability

or (2) reduction of an associated asset or liability will not cause the timing difference to reverse shall be classified based on the expected reversal date of the specific timing difference. Such classification disregards any additional timing differences that may arise and is based on the criteria used for classifying other assets and liabilities.

(c) The future tax benefits of loss carryforwards shall normally be recognized in the year in which such loss is applied to reduce taxes. Only in those unusual instances when realization is assured beyond any reasonable doubt should the future tax benefits of loss carryforwards be recognized in the year of loss. The tax effects of any realizable loss carrybacks shall be recognized in the determination of net income (loss) of the loss periods; appropriate adjustments of existing net deferred tax credits may also be necessary in the loss period.

(d) Carriers electing to account for the investment tax credit by the flow through method shall credit account 8000, Income taxes on ordinary income, or account 9050, Income taxes on extraordinary items, as applicable, and charge account 2120, Taxes accrued, with the amount of investment tax credit utilized in the current accounting period. When the flow through method is followed for the investment tax credit, account 8040, Provision for deferred taxes, shall reflect the difference between the tax payable (after recognition of allowable investment tax credit) based on taxable income and tax expense (with full recognition of investment tax credit that would be allowable based on accounting income) based on accounting income.

(e) Carriers electing to account for the investment tax credit by the deferred method shall concurrently with making the entries prescribed in (d) above charge account 8040, Provision for deferred taxes or account 9060, Provision for deferred taxes—extraordinary items, as applicable, and shall credit account 2460, Accumulated deferred income tax credits with the investment tax credit utilized as a reduction of the current year's tax liability but deferred for accounting purposes. The investment tax credit so deferred

shall be a mortgaged by credits to account 8040, Provision for deferred taxes.

NOTE A: Any change in practice of accounting for the investment tax credit shall be reported promptly to the Commission. Carriers desiring to clear deferred investment tax credits because of a change from the deferral method to the flow through method shall submit the proposed journal entry to the Commission for consideration and advice.

NOTE B: The carrier shall follow generally accepted accounting principles where an interpretation of the accounting rules for income taxes is needed or obtain an interpretation from its public accountant or the Commission.

[39 FR 33348, Sept. 17, 1974, as amended at 40 FR 53253, Nov. 17, 1975; 47 FR 12350, Mar. 23, 1982]

2-33 Transactions with affiliated companies.

(a) The records and supporting data of all transactions with affiliated companies shall be maintained in a separate file. The types of transactions referred to in this paragraph are for management services or any other type of services rendered, sale or use of facilities or any other type of assets or property. The file shall be maintained so as to enable the carrier, upon a Commission request, to furnish accurate information with supporting documentation about particular transactions within 15 days of the request. We do not intend the file to include data relating to ordinary carrier operations (e.g., lawful tariff charges).

(b) Each bill rendered by an affiliated company shall state specifically the basis used for determining charges, unless the file contains other information to support the specific basis for charges.

(c) Punched cards, magnetic tapes, discs, or other machine-sensible device used for recording, consolidating, and summarizing accounting transactions and records with a carrier's electronic or automatic data processing system may constitute a file within the meaning of this instruction.

(d) The carrier shall record, as the cost of assets or services received from an affiliated supplier, the invoice price (plus any incidental costs related to those transactions) in those cases where the invoice price can be deter-

mined from a prevailing price list of the affiliated supplier available to the general public in the normal course of business. If no such price list exists, the charges shall be recorded at the lower of their cost to the originating affiliated supplier (less all applicable valuation reserves in case of asset sales), or their estimated fair market value determined on the basis of a representative study of similar competitive and arm's-length or bargained transactions.

Any difference between actual transaction price and the above, as well as charges that are not transportation related, shall be considered of a financing nature and shall be recorded, accordingly, as nonoperating charges or credits. (See instruction 2-34).

(e) Nothing contained herein shall be construed as restraining the carrier from subdividing accounts (see instruction 2-2(d)) for the purpose of recording separately transactions with affiliated companies.

[40 FR 44564, Sept. 29, 1975]

2-34 Charges to be just and reasonable.

All charges to the accounts prescribed in this system of accounts for carrier property, operating revenues, operating and maintenance expenses, and other carrier expenses, shall be just, reasonable and not exceed amounts necessary to the honest and efficient operations and management of carrier business. Payments shall not exceed the fair market value of goods and services acquired in an arm's-length transaction. Any payments in excess of such just and reasonable charges shall be included in account 7500, Other Deductions.

[40 FR 44564, Sept. 29, 1975]

2-35 Accounting for leases.

(a) Leases shall be accounted for as capital leases whenever the lease meets one or more of the following four criteria:

- (1) The lease transfers ownership of the property to the lessee by the end of the lease term,
- (2) The lease contains a bargain purchase option,

(3) The lease term is equal to 75 percent or more of the estimated economic life of the property, and,

(4) The present value at the beginning of the lease term of the minimum lease payments equals or exceeds 90 percent of the fair value of the leased property to the lessor at the inception of the lease less any related investment tax credit retained by the lessor.

(b) If the lease does not meet any of the four criteria, the lease shall be classified and accounted for as an operating lease.

(c) When accounting for capital leases the lessee shall record the asset and the related obligation. The amount recorded as the asset and the obligation shall be the present value at the beginning of the lease term of the minimum lease payments during the lease term, excluding that portion of the payments representing executory costs such as insurance, maintenance, and taxes to be paid by the lessor. However, if that amount exceeds the fair value of the leased property, the amount recorded as the asset and the obligation shall be the fair value. The lessee shall compute the present value of the minimum lease payments using its incremental borrowing rate unless (1) it is practicable to learn the implicit rate computed by the lessor and (2) the implicit rate computed by the lessor is less than the lessee's incremental borrowing rate. If both of those conditions are met, the lessee shall use the implicit rate.

(d) Amortization of the recorded asset shall be as follows:

(1) If the lease meets either the first or the second criteria for capitalization, the asset shall be amortized in accordance with the lessee's normal depreciation policy.

(2) If the lease does not meet the first or second criteria, the asset should be amortized over the lease term.

(e) The accounting accorded the lease shall be subject to the same considerations as other obligations in classifying them with current and non-current liabilities in the classified balance sheet. Leases that meet the criteria requiring capitalization shall be recorded in those accounts that provide for carrier operating property or property used in other than carrier oper-

ations, as appropriate. The accounts shall segregate the amounts pertaining to capital leases.

(f) If the lease qualifies as an operating lease it should be accounted for by charging the rent to expense over the lease term. The rental expense should be recognized on a straight line basis over the lease term unless another method is more representative of the use and the benefits derived.

(g) The criteria specified in paragraph (a) should be applied to all leases regardless of the relationship between the lessor and the lessee unless it is clear that the terms of the lease transaction have been significantly affected by their relationship. In this situation, the accounting should be modified to recognize economic substance rather than legal form.

(h) In the case of subsidiary companies or companies under common control whose principal business activity is leasing property or facilities to the carrier, the carrier is encouraged to request special authority to file consolidated or combined financial statements. If the carrier does not wish to file consolidated or combined financial statements, capitalization of the lease will be required if the lease meets the criteria that would require capitalization.

NOTE: The carrier shall follow generally accepted accounting principles where an interpretation of the rules for lease accounting is needed or obtain an interpretation from its public accountant or the Commission.

[42 FR 56613, Oct. 27, 1977]

2-36 Transfers from government authorities.

When a Federal, State, or municipal government transfers cash or other assets to a motor carrier of passengers, the transaction shall be accounted for in accordance with the provisions set forth hereunder.

(a) The following forms of government transfers shall be included in account 3700, "Operating Revenues—Transfers from Government Authorities for Current Operations" when received:

(1) Payments as reimbursement for operating losses sustained on a specific route or in a certain region, such as

support of busline commuter operations;

(2) Subsidies designated by the donor to offset operating expenses of the recipient, and

(3) Subsidies which may be applied at the discretion of the recipient to operating expenses and/or operating property.

(b) Government transfers relating to the acquisition, addition to, or improvement of depreciable operating property shall be included in account 2410, "Deferred Revenues—Transfers from Government Authorities" when received. Account 2410 shall be periodically charged, and account 3800, "Operating Revenues—Amortization of Deferred Transfers from Government Authorities" shall be credited with amounts equal to the depreciation costs of the assets to which they apply.

(c) Government transfers in the form of, or designated for the purchase of nondepreciable operating property shall be included in account 2900, "Unearned Surplus" in the manner described in the text of that account.

(d) The provisions of this section do not apply to government payments for specific services rendered by the carrier in transporting passengers by bus line (other than services described in paragraph (a)(1) of this section). Such payments shall be included in account 3000, "Operating Revenues (Exclusive of Government Transfers)."

(e) The provisions of this section do not apply to government transfers relating to other than carrier operations.

(f) The provisions of this section do not apply to government transfers in exchange for debt and/or equity securities of recipients.

(g) Government transfers shall generally be recorded when made available to the carrier. However, transfer relating to specific operations shall be recorded as earned.

(h) Government transfers in the form of assets other than cash shall be recorded at fair value when received.

[43 FR 30560, July 17, 1978]

2-37 Business entertainment expenses.

(a) Business entertainment expenses are to be accounted for as operating expenses when incurred in conjunction with sales or marketing related activi-

ties. Sales or marketing related activities are those that emphasize a carrier's ability to provide efficient, timely and competitive service. These activities include outlays designed to promote new business as well as outlays incurred in maintaining existing business. The entertainment expenditures must be reasonable in relation to the business conducted and the business purpose for the entertainment must be adequately supported. Examples of this type of activity include the following:

(1) Salespersons' salaries and travel expenses, advertising, promotional and educational material;

(2) The conduct of shipper symposiums, conferences, meetings and traffic related functions;

(3) The use of direct mail solicitations and the publication and distribution of routing guides and service directories;

(4) Incidental promotional materials such as road atlases, calendars, pens, scratchpads, and other materials of nominal value;

(5) The conduct of business oriented lunches and dinners, public affairs programming, conferences and customer service calls;

(6) Sponsoring sales promotion functions, involving a number of customers or potential customers.

It must be noted that an activity listed above is not to be automatically accounted for as an operating expense. A carrier must be able to justify that an activity was primarily sales or marketing related.

(b) Business entertainment expenses are to be accounted for as non-operating expenses when they cannot be shown to be related to the sales or marketing activity. These are expenses that are primarily related to recreation or to the convenience and comfort of the individuals rather than to the transaction of business. Examples of this type of activity include the following:

(1) Recreational or resort entertainment, including but not limited to, fishing, hunting, tennis, golfing, skiing or other sporting or recreational trips or outings;

(2) Expense paid transportation in any carrier owned, leased or furnished

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vehicles, planes, helicopters, boats, yachts, or other methods;

(3) Expense paid lodging in any carrier owned, leased or furnished motels, hotels, apartments, condominiums, lodges, rooms and other places of overnight accommodation;

(4) Paid admission to any sporting, cultural, educational, recreational, or entertaining occurrence or event;

(5) Gifts such as athletic equipment, food or liquor, beverages of all types, smoking materials, clothing and personal accessories;

(6) The furnishing of lunches, dinners, appetizers or beverages where there is no true business purpose;

(7) Social occasions such as holiday parties.

It must be noted that an activity listed above is not to be automatically accounted for as a non-operating expense. If a carrier can justify that the activity was primarily sales or marketing related, it may be accounted for as an operating expense.

NOTE: The examples listed above are not inclusive, but are intended as a guide to give carriers an indication of what will or will not be permitted to be recovered through the rate structure. In all instances the burden of proof will fall on the carrier involved.

[47 FR 9467, Mar. 5, 1982]

BALANCE SHEET ACCOUNTS¹

ASSET SIDE

Current Assets

1000 Cash.

This account shall include the amount of current funds available for use on demand in the hands of financial officers and deposits in banks or trust companies; also cash in transit for which agents or drivers have received credit.

NOTE A: This account shall be credited with the amount of checks or drafts transmitted to payees.

NOTE B: Funds subject to withdrawal restrictions: Funds subject to such restrictions and deposits in closed banks shall not be included in this account. Such funds definitely known to be available within 1 year shall be included in account 1190, Other Current As-

sets. Deposits in closed banks which are not available within 1 year shall be included in account 1890, Other Deferred Debits.

NOTE C: Compensating balances (see definition 1-44) under an agreement which legally restricts the use of such funds shall not be included in this account. Such balances shall be included in account 1043, "Miscellaneous special deposits" or account 1781, "Miscellaneous special funds."

[32 FR 20280, Dec. 20, 1967, as amended at 41 FR 9159, Mar. 3, 1976]

1020 Working funds.

This account shall include amounts advanced to officers, agents, employees, and others as petty cash or working funds from which certain expenditures are to be made and accounted for.

1040 Special deposits.

This account shall include the balance of the amounts included in accounts 1041, 1042, and 1043, for short-term deposits.

1041 Interest, special deposits.

This account shall include moneys and bank credits specially deposited in the hands of fiscal agents or others for the payment of interest on behalf of the carrier. When interest is paid from such deposits, it shall be credited to this account and charged to the appropriate accrued or matured interest account. Payments to trustees or other agents of the holders of bonds or other securities of the interest accrued thereon which operate under the terms of the securities or of mortgages supporting such securities as a release of the paying company from further liability for such interest, shall be charged to the appropriate interest accrual account.

1042 Dividend, special deposits.

This account shall include moneys and bank credits in the hands of fiscal agents or others for the payment of dividends on behalf of the carrier. When dividends are paid from such deposits they shall be credited to this account and charged to the appropriate dividend account.

1043 Miscellaneous special deposits.

This account shall include compensating balances (see definition 1-44)

¹For form of balance sheet statement, see account 2999.

under an agreement which legally restricts the use of such funds and which constitute support for short-term borrowing arrangements, and moneys and bank credits in the hands of fiscal agents or others for special purposes other than the payment of interest or dividends. This includes cash or securities deposited with Federal, State, or municipal authorities, public utilities, or others, as a guaranty for the fulfillment of obligations. Entries to this account shall specify the purpose for which the deposit is made. When such purposes are satisfied and the deposit is released, this account shall be credited with the amount deposited.

NOTE: Deposits available for general company purposes shall be included in account 1000, Cash.

[41 FR 9159, Mar. 3, 1976]

1060 Temporary cash investments.

(a) This account shall include the book cost (see instruction 15) of investments such as time drafts receivable and time loans, bankers' acceptances, United States Treasury certificates, marketable securities, and other similar investments acquired for the purpose of temporarily investing cash. Any securities included in this account must be of such a nature as to be readily convertible into cash at substantially the book value.

(b) This account shall be sub-divided to reflect separately:

(1) Temporary Cash Investments—Associated Companies.

(2) Temporary Cash Investments—Other.

(c) This account shall also be sub-divided to reflect the marketable equity securities' portion (and its corresponding valuation allowance) and other temporary investments. (See instruction 2–15.)

NOTE A: Amounts carried in this account as pledged shall be shown separately from amounts unpledged.

NOTE B: There shall not be included in this account amounts properly includible in accounts 1600, Investments and Advances—Associated Companies, or 1650, Other Investments and Advances.

[32 FR 20280, Dec. 20, 1967, as amended at 42 FR 33300, June 30, 1977]

1080 Notes receivable.

(a) This account shall include the book cost, not includible elsewhere, of all collectible obligations in the form of notes receivable, contracts receivable, and similar evidences (except interest coupons) of money receivable on demand or within a time not exceeding 1 year from date of issue.

NOTE A: Notes receivable from associated companies shall be included in account 1100, Receivables from Associated Companies.

NOTE B: The amount of notes receivable discounted, sold or transferred, unless transferred without recourse, shall be credited to account 2000, Notes Payable.

(b) This account shall be sub-divided to reflect separately:

(1) Notes Receivable—Officers, Stockholders and employees.

(2) Notes Receivable—Other.

1100 Receivables from associated companies.

(a) This account shall include the total of amounts receivable from associated companies (see definition 6(a)) which are subject to current settlement (see definition 17), such as balances in open accounts for services rendered, material furnished, traffic or interline accounts, claims, rent for use of property and similar items; interest and dividends due from associated companies; and loans, notes and drafts for which associated companies are liable.

(b) This account shall be sub-divided to reflect separately:

(1) Loans and Notes Receivable—Associated Companies.

(2) Interest and Dividends Receivable—Associated Companies.

(3) Accounts Receivable—Associated Companies.

NOTE A: On the balance sheet, accounts receivable from associated companies shall be set off against accounts payable to the same companies.

NOTE B: No amount representing dividends receivable shall be included in this account unless they have been declared or guaranteed.

NOTE C: Items which are not subject to current settlement shall be included in account 160, Investment and Advances—Associated Companies.

1120 Accounts receivable.

(a) This account shall include amounts due from others (except associated companies) for material and supplies furnished and services rendered including transportation and storage charges, use of property, other matured rents, amounts owing by public authorities, amounts of collectible judgments, current accounts with officers and employees, and other accounts and claims upon which responsibility is acknowledged by solvent concerns or individuals.

(b) This account shall also include the balances due from other carriers (except associated companies), against each of which there is a net debit balance representing traffic or interline accounts; also the net balance in current accounts due from agents, drivers, and other employees and representatives charged with the collection or custody of current revenues.

(c) This account shall be sub-divided to reflect separately:

(1) Accounts Receivable—Officers, stockholders and employees.

(2) Traffic or interline account balances.

(3) Accounts receivable—Others.

NOTE A: Amounts advanced to officers, employees, or others as working funds, shall be included in account 1020, Working Funds.

NOTE B: Accounts with other carriers representing traffic and interline accounts which contain net credit balances shall be included in account 2050, Accounts Payable.

1140 Subscribers to capital stock.

(a) This account shall include the balance due from subscribers upon legally enforceable subscriptions to capital stock.

(b) The amount of each subscription shall be charged to this account at the time the subscription is accepted. Concurrently there shall be credited to account 2730, Capital Stock Subscribed, the par or stated value of the stock subscribed or the agreed purchase price in the case of non-par stock without a stated value. Appropriate entries shall likewise be recorded with respect to any discount or premium on par value stocks or non-par value stocks with a stated value.

NOTE: The records supporting the entries to this account shall be kept so that the cor-

poration can furnish the name and address of each subscriber, the amount and kind of capital stock subscribed, the date of subscription, the date that each payment is due and the date that each is paid, the nature of each payment (whether cash or other consideration), and any other information that is necessary to make the history of the subscription complete.

1160 Interest and dividends receivable.

This account shall include the amount of current interest accrued to the date of the balance sheet on bonds, mortgages, notes, and other commercial paper owned; on loans made; open accounts; bank deposits, etc.; and the amount of dividends receivable on stocks owned. (See instruction 10.)

NOTE A: Interest and dividends receivable from associated companies shall be included in account 1100, Receivables from Associated Companies.

NOTE B: Interest which is not subject to current settlement shall be included in the account in which is carried the principal on which the interest is accrued.

NOTE C: No amount representing dividends receivable shall be included in this account unless they have been declared or guaranteed.

NOTE D: No interest or dividends on securities or obligations issued or assumed by the carrier shall be included in this account.

1170 Prepayments.

This account shall include the balances representing payment of items in advance of their accrual, the benefit of which is to be realized subsequent to the time of such payment. Entries shall be made each period transferring from this account to the appropriate account the portion of each prepayment which is applicable to that period. The account shall be kept so that there can be determined readily the amounts applicable to the following:

(a) Taxes and licenses.

(b) Insurance.

(c) Interest.

(d) Rents.

(e) Tires and tubes (see account 4160, Tires and Tubes—Revenue Equipment).

(f) Miscellaneous.

NOTE A: Prepayments of minor items applicable to the current year may be charged directly to the appropriate operation and maintenance expense or other accounts.

NOTE B: Interest and finance fees included in the face value of equipment and other obligations (a liability being recorded at face value) shall be included in account 1890, Other Deferred Debits.

[37 FR 25845, Dec. 5, 1972]

1180 Material and supplies.

(a) This account shall include the cost (less cash or other discounts when they can be determined) of all unapplied materials and supplies, including tools, repair parts, fuel, tires and tubes, etc. The cost shall include all specifically assignable transportation charges incurred in obtaining the delivery of such materials and supplies upon the premises of the carrier including loading and unloading and at the option of the carrier, it may include a suitable proportion of purchasing and store expenses in which case corresponding credits shall be made to the appropriate account. The cost shall also include sales and excise taxes on material purchases. Sales and excise taxes on gasoline, other motor fuels, motor oil, and tires and tubes, shall be charged to account 5200—Operating Taxes and Licenses. Other sales and excise taxes may be included in this account as part of the cost of materials purchased, or charged to account 5200 if the tax can be readily separated from the cost of the material.

(b) When any materials or supplies, the cost of which has been charged to this account, are issued for use, the amount at which they stand charged herein shall be credited to this account and charged to the appropriate construction, operation and maintenance expense, or other account. Such amount may be based upon the average cost of all items of a given type included in this account at the beginning of the period.

(c) Materials recovered in connection with construction, maintenance, or the retirement of property shall be charged to this account as follows:

(1) Re-usable materials shall be included in this account at amounts not to exceed cost, estimated if not known.

(2) Scrap and non-usable materials shall be carried at the estimated salvage value. So far as practicable, the difference between the amounts realized from sale or disposal and the

amounts at which the materials are carried in this account shall be adjusted in the depreciation reserves, repair accounts, or other accounts which were credited when the materials were charged to this account.

NOTE A: Interest charged on material bills, the payment of which is delayed, shall be charged to account 7100, Other Interest Deductions.

NOTE B: Inventories of materials and supplies shall be taken at intervals of one year or less, and the necessary adjustment shall be made to bring this account into harmony with the actual physical inventory. In effecting this adjustment, differences which may practicably be assigned to important classes of materials shall be equitably distributed among the accounts to which such classes of materials are ordinarily chargeable. Other differences shall be equitably apportioned among the operation and maintenance accounts to which materials have been charged since the last inventory. Such differences that cannot be allocated to the operation and maintenance accounts shall be included in account 4655, Purchasing and Store Expenses.

NOTE C: Sales taxes on gasoline, other motor fuels and motor oil and personal property taxes assessed on material and supplies shall be included in account 5200, Operating Taxes and Licenses.

1190 Other current assets.

This account shall include the amount of all assets of a current nature not includible in any of the foregoing current asset accounts. (See definition 17.)

1195 Deferred income tax debits.

This account shall include the current portion of deferred income tax debits and credits determined in accordance with instruction 2-32, when the balance is a net debit. A net credit balance shall be included in account 2185, "Deferred income tax credits".

[47 FR 12351, Mar. 23, 1982]

Tangible Property

1200 Carrier operating property.

(a) This account shall include the total of the amounts representing the cost (see instruction 19) of carrier operating property, included in accounts 1201 to 1291, inclusive, owned and used by the carrier in its motor carrier operations, and which has an expected life

in service of more than 1 year, including such property owned by the carrier but held by nominees.

(b) When property normally having a service life of more than 1 year is installed for temporary use in motor carrier operations, it shall be accounted for in the same manner as property installed for permanent use.

(c) Records shall be kept so as to reflect separately the cost and date of acquisition of property jointly owned and property operated under a joint agreement; also the cost and date of acquisition of each structure, unit of equipment, or other major item of property (or at the option of the carrier of each body, chassis or other major part). When a major part of a unit of property, such as a body or chassis of equipment or portion of a structure has been replaced by either a new or rebuilt one, details shall appear in the supporting records showing also the cost of the property removed, the cost of the replacement, and the date of removal or replacement. If property such as a structure or unit of equipment is constructed new, or rebuilt by the carrier to increase its capacity or otherwise add to its usefulness for motor carrier service, or if parts are purchased and assembled by the carrier, the cost records for construction and assembly shall be maintained in a sufficiently complete manner to show the cost of labor, materials and other expenses incurred in such work.

(d) When a structure, unit of equipment, or other property is so rebuilt or remodeled as to create an expectation of service life fairly comparable with new property, the old property shall be retired (instruction 21). Charges to this account for the rebuilt or remodeled property shall be based upon the appraised value of the reused parts, or the net book cost at time of retirement of the retired unit, whichever is lower, plus the cost of rebuilding or remodeling. *Provided, however,* That in no event shall the total amount charged exceed the cost of similar new property.

(e) The cost of removing old appliances and replacing them with new appliances shall be charged to the proper account under operation and maintenance expenses.

(f) The cost of additions to and betterments of property leased from others shall be recorded in account 1271, Improvements to Leasehold Property. (See instruction 22.)

1201 Land and land rights.

(a) This account shall include the cost (see instruction 19) including the amount of mortgages of other liens, assumed, of land or interest in land, having a life of more than 1 year, for use directly in connection with the motor carrier operations of the carrier for such purposes as general office buildings, shops, garages, stations, terminals, waiting rooms, shelters, loading platforms, warehouses, and the like. This includes the first cost of acquiring leaseholds of land, easements, and rights-of-way, but no rents payable periodically in consideration of rights so obtained.

(b) The cost of buildings and other improvements (other than public improvements) shall not be included in the land accounts. If at the time of acquisition of an interest in land such interest extends to buildings or other improvements (other than public improvements), which are then devoted to carrier operations, the land and improvements shall be separately appraised and the cost allocated to land and buildings or improvements on the basis of the appraisals. If the improvements are removed or wrecked without being used in carrier operations, the cost of removing or wrecking shall be charged and the salvage credited to the account in which the cost of the land is recorded.

(c) Carriers shall keep the records so as to show separately the cost of each parcel of land or interest therein and the purpose or purposes for which used in motor carrier operations.

ITEMS

Clearing land of brush, trees, and debris (First cost of).
 Condemnation proceedings, including court costs and special counsel fees.
 Consents and abutting damages, payment for.
 Conveyancers' and notaries' fees.
 Easements and rights-of-way, cost of, and expenses of acquisition.
 Fees and commissions to brokers and agents.
 Grading.
 Land, cost of.

Leases having a life of more than 1 year, costs of expenses incidental to acquiring.
 Leases, voiding, to secure possession of land.
 Relocating property of others.
 Rights-of-way, including costs of locating.
 Sidewalks on public streets abutting carrier's property.
 Special assessments on the basis of benefits for new roads, new bridges, new pavements, new sewers, and other public improvements (but not any taxes levied to provide for maintenance of such improvements).
 Surveys.
 Taxes assumed, accrued prior to date of transfer of title.
 Title, examining, registering, clearing, insuring and defending against claims relating to period prior to purchase.

NOTE A: When land is acquired in excess of that required for motor carrier operations, or for which there is not a definite plan for its use in such service within 1 year, the cost of such land shall be charged to account 1400, Non-Carrier Operating Property, or to account 1450, Non-Operating Property, as appropriate. If land originally charged to either of these accounts is later used for motor carrier operations, it shall be charged to Carrier Operating Property in service at its cost when acquired. (See instruction 23.)

NOTE B: Assessments for public improvements upon which payments are deferred shall be charged to this account in full and the unpaid balance carried in the appropriate liability account. Interest on unpaid balances shall be charged to the appropriate income deduction account.

1211 Structures.

(a) This account shall include the cost in place (see instruction 19) of structures used in motor carrier operations. This includes buildings or constructions to house, support, or safeguard property or persons, with all appurtenant fixtures permanently attached thereto, and improvements to land, and other structures or constructions.

(b) Carriers shall keep their records so as to show separately the cost of each structure included in this account and the purpose or purposes for which used in motor carrier operations.

ITEMS

Architect's plans.
 Ash pits.
 Awnings.
 Boilers, furnaces, piping, wiring, fixtures and machinery for heating, lighting, signaling, ventilating and plumbing.
 Bridges and culverts.
 Chimneys.

Commissions and fees to brokers, agents, architects, and others.
 Conduits (not to be removed).
 Damages to abutting property during construction.
 Door checks and door stops.
 Drainage and sewerage systems.
 Elevators, cranes, hoists, etc., and the machinery for operating them.
 Excavation, including shoring, bracing, bridging, refill and disposal of excess excavated material.
 Fences and hedges.
 Fire protection systems.
 Floor covering (permanently attached).
 Foundations and piers for machinery constructed as a permanent part of a building or other unit listed herein.
 Grading and preparing grounds for buildings, including landscaping of grounds after construction.
 Leases, voiding, to secure possession of structures.
 Oil pits and drainage systems.
 Outside lighting systems.
 Partitions, including movable.
 Painting, first.
 Permits and privileges, building.
 Platforms, railings and gratings, when constructed as part of structure. Power boards for service to a building.
 Refrigerating systems.
 Retaining walls.
 Scales, connected to and forming part of the structure.
 Screens.
 Sidewalks, pavements and driveways on building grounds.
 Sprinkling systems.
 Storage facilities constituting part of building.
 Storage tanks.
 Storm doors and windows.
 Structures, cost of.
 Subways, areaways, and tunnels, directly connected to and forming part of the structure.
 Vaults, constructed as part of the building.
 Water supply system for building or general company purposes.
 Window shades and ventilators.

NOTE A: The cost of specially provided foundations not expected to outlast the machinery or apparatus for which they are provided, and the cost of angle irons, castings, etc., installed at the base of an item of equipment shall be charged to the same account as the cost of the machinery or equipment.

NOTE B: When part of a structure is removed in order to build an extension thereto, the accounting therefor shall be in accordance with instruction 21.

1221 Revenue equipment.

(a) This account shall include the cost (see instruction 19) of all units of revenue passenger equipment, and the cost of the first set of accessory equipment necessary to fit them for service, excluding tires and tubes (see account 4160, Tires and Tubes—Revenue Equipment). The term *revenue passenger equipment* includes body and chassis and all fixtures and appliances inside of or attached to the body or chassis.

(b) If revenue passenger equipment is purchased in a condition ready for service, the cost shall include the invoice or contract price (excluding tires and tubes), less discount, if any, plus freight, excise taxes, insurance in transit, unloading costs and other expenses incurred in obtaining delivery of these vehicles upon the premises of the carrier such as drive-away charges, and the cost of any additions or attachments made after delivery.

(c) This account may also include the cost of spare engines and other major units carried on hand for the purpose of temporarily replacing such units taken into the shop for overhauling, repairing, or any other reason.

ITEMS

Automobiles.
Busses.
Combination busses.
Horses and mules.
Stages.

1231 Service cars and equipment.

This account shall include the cost (see instruction 19) of automotive vehicles used in connection with keeping revenue vehicles in operation, including cars and trucks used as trouble wagons for servicing revenue vehicles on the road. This account shall also include the cost of the first set of appliances or accessory equipment, including tires and tubes, necessary to fit such vehicles for service, such as cranes, hoists and other appliances, devices and tools forming the equipment of service cars.

ITEMS

Emergency repair vehicles and appliances.
Refueling cars.
Sand and salt cars.
Snow-fighting vehicles and equipment.

Spare units for service vehicles, on hand in shop (optional).

Tow cars and appliances.

Vehicles used by officials, starters and inspectors.

1241 Shop and garage equipment.

(a) This account shall include the cost installed (see instruction 19) of machinery and equipment used in shops and garages when such machinery and equipment is not an integral part of the housing structure, together with specially provided foundations and settings not expected to outlast the machinery mounted thereon. Records shall be kept so as to show separately the cost of each major item of equipment.

(b) If the carrier has shops or garages at more than one location, the records shall be maintained to reflect the carrier's investment at each location.

ITEMS

Air compressors and hose, gauges and tanks.
Anvils.
Arbor presses.
Battery charging outfits.
Belts, shafts and countershafts.
Boring or reaming machines.
Car washing equipment.
Cranes and hoists (portable).
Creepers.
Drill presses.
Electric equipment.
Engines and boilers.
Forges.
Gasoline and oil pumps and portable tanks.
Greasing racks and pumps.
Grinders.
Jacks.
Lathes.
Lockers.
Machine tools.
Motor driven hand tools.
Motor starters.
Oil reclaiming machines.
Paint sprayers.
Pneumatic tools.
Storage bins and shelving (movable).
Store room equipment (except office equipment).
Stoves.
Testing apparatus.
Tire changing equipment.
Tool racks.
Vices.
Vulcanizing equipment.
Weighing devices.
Welding apparatus.
Wheel pullers.
Work benches.

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NOTE A: The cost of small portable tools and implements of slight value or short life shall be charged to the appropriate expense account.

NOTE B: The cost of cranes, hoists, and other appliances, devices, and tools forming the equipment of service cars and trucks shall be charged to account 1231, Service Cars and Equipment.

1251 Furniture and office equipment.

(a) This account shall include the cost (see instruction 19), installed of furniture and appliances used in general offices, garage offices, stations, terminals, warehouses, and waiting rooms, when such equipment is not an integral part of the housing structure.

(b) If the carrier has equipment included in this account at more than one location, the records shall be maintained to reflect the carrier's investment at each location.

(c) If the carrier operates or owns auxiliary station facilities such as restaurants and news stands, the cost of equipment therein shall be charged to this account and carried under a special subdivision entitled "Furniture and Office Equipment—Special Facilities."

ITEMS

Book cases.
Cash registers.
Chairs, stools and benches.
Clocks.
Counters.
Desks.
Equipment in rest, dining, recreation and medical rooms.
Fans, electric.
Filing cabinets.
Fire extinguisher equipment.
Floor coverings.
Heaters and lamps (movable).
Kitchen equipment.
Lighting fixtures (movable).
Lockers.
Loud speaker systems.
Newsstand equipment.
Office equipment (mechanical).
Parcel room equipment.
Partitions and railings.
Restaurant equipment.
Safes (movable).
Show cases and shelves.
Tables and counters.
Teletypewriters.
Ticket cases.
Ticket machines.
Time clocks.
Time-table racks.
Typewriters.

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Vacuum cleaners.
Water coolers.

NOTE: Small articles of slight value or of short life shall be charged to the appropriate expense accounts.

1261 Miscellaneous equipment.

This account shall include the cost (see instruction 19) of other motor carrier equipment such as miscellaneous wheeled equipment used at warehouses, stations, terminals, and loading platforms in connection with handling traffic.

ITEMS

Blocks and falls.
Canvas covers (tarpaulins).
Carts.
Chain hoists.
Dollies (platform).
Electric motor trucks.
Hamper trucks.
Platform trucks.
Rollers.
Scales.
Signal equipment.
Signs (electric and portable).
Skidboards.
Warehouse trucks.
Weighing devices.

1271 Improvements to leasehold property.

(a) This account shall include, except as provided in paragraph (b) of this section the cost of initial improvements (including rearrangements, additions, and betterments) to property used for motor carrier operations and held under lease or through control of the carrier owning the property, and in existence at the date of the balance sheet; and, the cost of any subsequent additions to and betterments of such leased or controlled property but not including replacements of other than the carrier's own improvements. Depreciation on such expenditures shall be provided for in accordance with instruction 25.

(b) When the cost of alterations to leased property used in motor carrier operations otherwise chargeable to this account is not in excess of \$500.00 or the period of the lease is less than one year, the cost may be charged to the accounts chargeable with the cost of repairs to such property. (See provisions of instruction 22.)

[46 FR 45960, Sept. 16, 1981]

1281 Undistributed property.

(a) When a carrier purchases or sells any property constituting a distinct operating unit (see definition 24) or otherwise finds it necessary because of incomplete financial records to make a general readjustment of operating property records, temporary charges or credits to this account may be made with approval of the Commission, and the distribution of the amounts involved shall be made promptly to the appropriate accounts after authorization by the Commission.

(b) Balances in accounts previously carried representing property owned as of the effective date of this system of accounts may be carried temporarily in this account. Journal entries distributing such balance to the appropriate properly accounts prescribed in this part shall be made and filed with the Commission not later than 1 year after the effective date of this system of accounts.

1291 Unfinished construction.

This account shall include the cost of construction projects not ready for service at the date of the balance sheet. It shall include all elements of cost as set forth in instruction 19.

NOTE: This account is intended to include only charges for new construction not involving any replacement. If, however, at the beginning of a job involving the replacement or retirement of any operating property, the accounting carrier makes full credits therefor to the appropriate property accounts, the cost of installing new property in substitution or replacement may be carried in this account pending completion of the work. (See also account 1890, Other Deferred Debts.)

1300 Carrier operating property leased to others.

(a) This account shall include the cost (see instruction 19) of carrier operating property owned by the carrier but leased to others as distinct operating units (see definition 24) or systems for use in motor carrier operations, where the lessee has exclusive possession.

(b) This account shall be subdivided so as to reflect separately the investment in each class of property as pro-

vided for under account 1200, Carrier Operating Property.

1400 Non-carrier operating property.

This account shall include the book cost of land, structures and equipment owned by the carrier and used in other than motor carrier operations and not provided for in account 1200, Carrier Operating Property, and account 1300, Carrier Operating Property Leased to Others.

1450 Non-operating property.

This account shall include the book cost of land, structures and equipment owned by the carrier, but not used in any of its operating activities.

*Intangible Property***1500 Organization, franchises and permits.**

This account shall include the balance of the amounts included in accounts 1501 to 1541, inclusive.

NOTE: See Instruction 2-31.

[32 FR 20280, Dec. 20, 1967, as amended at 46 FR 59546, Dec. 7, 1981]

1501 Organization.

This account shall include fees paid to State or other governmental authority for the privilege of incorporation, and expenditures incident to organizing the corporation, partnership, or other enterprises, and putting it into readiness to do business.

ITEMS

Fees and expenses for incorporation.

Fees and expenses for mergers or consolidations.

Office expenses incident to organizing the company.

Stock and minute books and corporate seal.

NOTE A: This account shall not include any discounts upon securities issued or assumed; nor shall it include any costs incident to negotiating loans, selling bonds or other evidences of debt, or expenses in connection with the authorization, issuance or sale of stock. (See instructions 12, 13, and accounts 1900, Discounts on Capital Stock, and 1910, Commission and Expense on Capital Stock.)

NOTE B: Exclude from this account, and include in account 4620, Law Expenses, the cost of preparing and filing papers in connection with the extension of the term of incorporation unless the first organization costs have been written off.

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NOTE C: When charges are made to this account for expenses incurred in mergers, consolidations, acquisitions or reorganizations, amounts previously included herein on the books of the retiring companies shall not be carried over. If such items represent part of the assets acquired they shall be included in account 1550, Other Intangible Property. (See instruction 20.)

NOTE D: See Instruction 2-31.

[32 FR 20280, Dec. 20, 1967, as amended at 46 FR 59546, Dec. 7, 1981]

1511 Franchises.

(a) This account shall include amounts actually paid to a State or political subdivision thereof or to other governmental authority in consideration of franchises, permits, consents, or certificates running in perpetuity or for a specified term of more than 1 year together with the necessary reasonable expenses incident to procuring such franchises, consents, or certificates of convenience and necessity.

(b) When a franchise, permit, consent or certificate is acquired by assignment, the charge to this account shall not exceed the actual cost to the original holder thereof. Payments in excess of the cost to the original holder, together with any expenses incurred by the acquiring carrier shall be charged to account 1550, Other Intangible Property. (See instruction 20.)

(c) When any franchises, permits, consents or certificates have expired, and are not immediately renewed, are sold or otherwise disposed of, credits to this account shall be made representing the amounts at which such items (including expenses of acquisition) are carried herein. Concurrent charges shall be made to account 2600, Reserve for Amortization—Carrier Operating Property, or to account 5100, Amortization of Carrier Operating Property, as appropriate. * * * Expenses incurred in connection with renewals shall be charged to the appropriate operation and maintenance expense account.

(d) This account shall be sub-divided to reflect separately amounts pertaining to:

- (1) Perpetual franchises.
- (2) Fixed-term franchises.

NOTE A: Regularly recurring payments made to any political subdivision for the right to operate within its boundaries shall

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be charged to account 5200, Operating Taxes and Licenses.

NOTE B: See Instruction 2-31.

[32 FR 20280, Dec. 20, 1967, as amended at 46 FR 59546, Dec. 7, 1981]

1541 Patents.

(a) This account shall include the cost (see instruction 19) of patent rights, licenses, and privileges necessary or valuable to the economical conduct of motor carrier operations, and which have a life of more than 1 year from the date they become effective.

(b) When any right or license included herein expires or is canceled and is not immediately renewed, is sold, or otherwise disposed of, credit to this account shall be made representing the amount at which such right or license is included herein. Concurrent charge shall be made to account 2600, Reserve for Amortization—Carrier Operating Property, or to account 5100, Amortization of Carrier Operating Property, as appropriate. Expenses incurred in connection with renewals shall be charged to the appropriate operation and maintenance expense account.

NOTE: See Instruction 2-31.

[32 FR 20280, Dec. 20, 1967, as amended at 46 FR 59546, Dec. 7, 1981]

1550 Other intangible property.

(a) This account shall include any intangibles not provided for elsewhere, including any undistributed portion of the purchase cost of a transportation system or portion thereof, constituting a distinct operating unit (see definition 24) not includible in specific accounts provided for assets acquired or liabilities assumed. (See instruction 20.)

(b) The carrier may amortize or write off the balance carried in this account by credits hereto and concurrent charges to account 7500, Other deductions.

NOTE: See Instruction 2-31.

[32 FR 20280, Dec. 20, 1967, as amended at 40 FR 53252, Nov. 17, 1975; 46 FR 59546, Dec. 7, 1981]

*Investment Securities and Advances***1600 Investments and advances—Associated companies.**

(a) This account shall include the book cost (see instruction 15) of the carrier's investments in securities issued or assumed by associated companies; notes of associated companies maturing later than 1 year from date of issue; and the amount of advances to associated companies not subject to current settlement including accrued interest on such advances when not subject to current settlement. Exclude from this account securities held in special funds or as temporary cash investments. (See definitions 6, 8, account 1060, Temporary Cash Investments, and instruction 15.)

(b) This account shall be subdivided to reflect separately:

- (1) Common stocks.
- (2) Preferred stocks.
- (3) Bonds.
- (4) Notes.
- (5) Other investments.
- (6) Advances.

NOTE A: Balances in open accounts with associated companies which are subject to current settlement shall be included in account 1100, Receivables from Associated Companies.

NOTE B: Securities pledged shall be shown separately from securities unpledged.

NOTE C: Securities borrowed by the carrier and pledged shall not be included in this account. A memorandum record shall be kept.

1650 Other investments and advances.

(a) This account shall include the book cost (see instruction 15) of the carrier's investments in securities issued or assumed by other than associated companies; notes of other companies and persons, maturing later than 1 year from date of issue; the cash surrender values of insurance policies carried on the lives of officers and employees when the carrier is beneficiary of such policies; advances to other companies and individuals not subject to current settlement, including any accrued interest on such advances when not subject to current settlement.

(b) This account shall be subdivided to reflect separately:

- (1) Common stocks.
- (2) Preferred stocks.
- (3) Bonds.

- (4) Notes.
- (5) Other investments.
- (6) Advances.

NOTE A: Balances in open accounts with other companies and individuals which are subject to current settlement shall be included in account 1120, Accounts Receivable.

NOTE B: Securities pledged shall be shown separately from securities unpledged.

NOTE C: Securities borrowed by the carrier and pledged shall not be included in this account. A memorandum record shall be kept.

1675 Reserve for adjustment of investments in securities.

(a) This account shall be credited with amounts charged to account 7500, Other Deductions, to provide a reverse for adjustments in the value of investment securities included in account 1600, Investments and Advances-Associated Companies, and account 1650, Other Investments and Advances, where there is a permanent impairment in the recorded values.

(b) If reserves are maintained for anticipated losses in specific securities, when such securities are disposed of, this account shall be charged to the extent of the credit balance applicable to the particular securities involved. The remainder, if any, shall be charged to account 7500, Other Deductions.

(c) In case a general reserve for losses in unspecified security values is maintained, all such losses on disposition shall be charged to this account to the extent of the credit balance, and the remainder, if any, shall be charged to account 7500, Other Deductions.

[39 FR 34047, Sept. 23, 1974, as amended at 40 FR 53252, Nov. 17, 1975]

1676 Allowance for net unrealized loss on noncurrent marketable equity securities.

(a) This account shall reflect the amount by which aggregate cost exceeds market value for the noncurrent marketable equity securities found in accounts 1600 and 1650. This account shall be debited or credited so that the balance at the balance sheet date shall reflect such difference. (Refer to instruction 2-15.)

(b) This account shall not include amounts by which aggregate cost exceeds market value if such differences are judged to be other than temporary.

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(Such differences should be charged to account 1676.)

[42 FR 33300, June 30, 1977]

Special Funds

1701 Sinking funds.

(a) This account shall include the amount of cash or other items when held by trustees or other fiscal agents in charge of sinking funds, or by the carrier itself when they are segregated in a distinct fund, for the purpose of redeeming outstanding obligations. (See instruction 15.)

ITEMS

Cash.

Securities of other companies or other assets, at cost except as otherwise provided herein.

Live securities, issued or assumed by the carrier, at face value. (For conditions under which such securities may be kept alive, see instruction 14.)

Amounts deposited with trustees or other fiscal agents on account of mortgaged property sold when held for the redemption of securities.

Securities of the carrier issued to trustees without intervening sale, at face value.

(b) A separate subdivision shall be kept for each fund, the title of which shall designate the obligation in support of which the fund was created.

1751 Depreciation funds.

This account shall include the amount of cash and the cost (see instruction 15) of securities of other companies and other assets which have been specifically set aside for the purpose of providing a fund for the replacement of units of depreciable property.

1781 Miscellaneous special funds.

This account shall include the amount of cash and the cost (see instruction 15) of securities of other companies and other assets in insurance, employees' pension, savings, relief, hospital and other funds which have been raised and specifically set aside or invested for purposes not provided for elsewhere; and the face value of securities issued or assumed by the carrier which may be held alive in such funds under instruction 14. Also include in this account deposits in lieu of mort-

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gaged property sold and other trust deposits, pending their refund when equivalent property is acquired or pending their transfer under mortgage provisions to account 1701 Sinking Funds. A separate subdivision shall be provided for each fund.

Note: This account shall include compensating balances (see definition 1-44) under an agreement which legally restricts the use of such funds and which constitute support for long-term borrowing arrangements.

[32 FR 20280 Nov. 17, 1967, as amended at 41 FR 9159, Mar. 3, 1976]

Deferred Debits

1890 Other deferred debits.

(a) This account shall include all debit balances in suspense accounts that cannot be entirely cleared and disposed of until further information is received; also items of a deferred nature (except items chargeable to account 1800, Prepayments, or account 2370, Unamortized Discount on Debt) which are subsequently to be amortized to the appropriate operation and maintenance expense or other accounts. This includes amounts on deposit with banks which have failed, pending determination of loss; amounts paid for options pending final disposition which are not recoverable; expenditures for plans and investigations made for determining the feasibility of projects under contemplation, pending further disposition; and expenditures for valuations, inventories, and appraisals made in connection with the contemplated purchase or sale of property. (See instruction 19.) If projects in connection with which such preliminary costs were incurred are abandoned, the expense shall be charged to account 7500, Other Deductions.

(b) This account shall also include other debit items which are subject to amortization by order of the Commission.

(c) This account shall also include the balances in clearing accounts maintained to carry temporarily the cost of operating and maintaining such facilities as office buildings, storehouses, etc.; and such overhead costs as

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it is desirable to apportion to the construction, operating, and other accounts involved. (See instruction 16.)

[32 FR 20280, Dec. 20, 1967, as amended at 40 FR 53252, Nov. 17, 1975; 41 FR 52468, Nov. 30, 1976]

1895 Accumulated deferred income tax debits.

This account shall include the non-current amount of deferred income tax debits and credits determined in accordance with instruction 2-32, when the balance is a net debit. A net credit balance shall be included in account 2460, "Accumulated deferred income tax credits".

[47 FR 12351, Mar. 23, 1982]

Miscellaneous Debit Items

1900 Discount on capital stock.

This account shall include the discounts suffered in the sale of capital stock. (See instructions 12, 14.)

1910 Commission and expense on capital stock.

This account shall include all expenses incurred in connection with the issuance and sale of capital stock. (See instructions 12, 14.)

ITEMS

Fees and expenses in obtaining permission from regulatory bodies for the issuance of stock and in filing papers of notification thereunder.

Fees paid to promoters.

Listing stock on exchanges.

Preparation and distribution of prospectuses.

Preparation and issuance of certificates of stock.

Soliciting subscriptions for stock, including fees, commissions, advertising and printing.

Taxes paid on stock issues.

1920 Reacquired securities.

This account shall include in subdivisions for each class, the face, par, or stated value of bonds, and other forms of securities which have been actually issued or assumed by the carrier, and reacquired and are neither retired nor properly included in sinking or other funds.

NOTE A: The accounting for the reacquisition of securities and resales thereof shall be in accordance with instruction 14.

NOTE B: This account shall be maintained so as to reflect separately securities pledged and unpledged.

NOTE C: In reports to the Commission the balance in this account shall be deducted from the securities accounts on the liability side, thereby extending into the money column the amounts to reflect the actually outstanding securities.

[32 FR 20280, Dec. 20, 1967, as amended at 40 FR 44564, Sept. 29, 1975]

1990 Nominally issued securities.

(a) This account shall include in subdivisions for each class, the face value of capital stock, bonds, and other forms of securities which have been nominally but not actually issued by the carrier. (See definitions 2, 30.)

(b) When stock without par value is nominally issued, a memorandum entry shall be made to this account showing the number of shares thus issued.

NOTE A: This account shall be maintained so as to reflect separately securities pledged and unpledged.

NOTE B: In reports to the Commission, the balance in this account shall be deducted from the securities accounts on the liability side, thereby extending into the money column the amounts to reflect the actually outstanding securities.

LIABILITY SIDE

Current Liabilities

2000 Notes payable.

(a) This account shall include the face value of outstanding obligations in the form of notes, drafts, acceptances, and other similar evidences of indebtedness which by their terms do not run for a period in excess of 1 year, including the face value of notes receivable discounted or sold without releasing the carrier from liability as endorser thereon.

(b) Subdivisions shall be maintained to show separately obligations maturing upon demand from obligations bearing a specified date of maturity.

NOTE A: Notes payable to associated companies shall be included in account 2030, Payable to Associated Companies.

NOTE B: Unmatured equipment obligations shall be included in account 2190, Equipment Obligations and Other Debt Due Within One Year, or account 2300, Equipment Obligations, as appropriate.

NOTE C: This account shall not include obligations due within one year which are intended to be refinanced on a long-term basis. Long-term refinancing of short-term obligations means; (1) replacement with long-term obligations or equity securities, or (2) renewal, extension, or replacement with short-term obligations for an uninterrupted period extending beyond one year from the balance sheet date.

The intention to refinance on a long-term basis shall be supported by the ability to refinance. Evidence of this ability includes either; (1) the actual issuance of a long-term obligation or equity securities for the purpose of refinancing the short-term obligation, after the balance sheet date but before the balance sheet is issued, or (2) before the balance sheet is issued, the existence of a financing agreement which is long-term and based on terms readily determinable with no existing violations of its provisions, and with a lender which is financially capable of honoring the agreement.

[32 FR 20280 Dec. 20, 1967, as amended at 41 FR 9164, Mar. 3, 1976]

2020 Matured equipment and long-term obligations.

This account shall include the amount (including obligations for premiums) of equipment obligations, long-term obligations and receivers' certificates matured and unpaid without any specific agreement for extension of maturity, including unrepresented bonds called for redemption.

2030 Payables to associated companies.

(a) This account shall include the total of amounts payable to associated companies (see definition 6) which are subject to current settlement (see definition 17), such as credit balances in open accounts for services rendered, material furnished, traffic or interline accounts, claims, rent for use of property and similar items; interest and dividends due to associated companies; and loans, notes and drafts which are payable to associated companies.

(b) This account shall be subdivided to reflect separately:

(1) Loans and notes payable—Associated companies.

(2) Interest and dividends payable—Associated companies.

(3) Accounts payable—Associated companies.

NOTE A: On the balance sheet accounts payable to associated companies shall be set off against accounts receivable from the same companies.

NOTE B: No amount representing dividends payable shall be included in this account unless they have been declared or guaranteed.

NOTE C: Items which are not subject to current settlement shall be included in account 2200 Advances Payable—Associated Companies.

NOTE D: This account shall not include obligations to associated companies due within one year which are expected to be refinanced on a long-term basis (See note C following account 2000, Notes payable).

[32 FR 20280, Dec. 20, 1967, as amended at 41 FR 9164, Mar. 3, 1976]

2050 Accounts payable.

(a) This account shall include amounts payable to others (except associated companies) for materials and supplies and services received, including use of property, other matured rents, amounts due to public authorities, amounts of payable judgments, current accounts with officers and employees, personal injury and property damage claims, the carrier's liability for transportation taxes and sales taxes collected from customers, deductions from employees' wages for social security and income taxes, and other similar items.

(b) This account shall also include the balances due to other carriers (except associated companies) in favor of each of which there is a net credit balance representing traffic or interline accounts.

(c) This account shall be subdivided to reflect separately:

(1) Accounts payable—Officers, stockholders, and employees.

(2) Traffic or interline account balances.

(3) Accounts payable—Others.

NOTE: Accounts with other carriers representing traffic or interline accounts which contain net debit balances shall be included in account 1120, Accounts Receivable.

2070 Wages payable.

This account shall include the amount of wages payable or accrued pay rolls at the date of the balance sheet. Unclaimed wages should be transferred to account 2190, Other Current Liabilities.

2080 Unredeemed tickets.

Carriers using the "ticket lift basis" in recording revenues shall credit this account with the amounts received from the sale of mileage books, scrip books, tokens, strip or coupon tickets, commutation or other forms of tickets which are valid for transportation. This account shall be charged and the appropriate revenue account credited as tickets, tokens, or coupons are honored for transportation. This account shall also be charged with unused portions of tickets, tokens, or coupons with concurrent credits to cash or other appropriate account for the amount redeemed and to the appropriate revenue account for the portion not so redeemed or redeemable.

NOTE: Carriers using the "ticket sales basis" in recording revenues shall credit account 3200, Passenger Revenue with their proportion received from the sale of tickets, etc.

2090 C.o.d.'s unremitted.

This account shall be credited with amount of c.o.d.'s collected from consignees for shippers on express delivered.

This account shall be charged when remittances of amounts of c.o.d.'s are made to shippers.

NOTE: Fees for handling c.o.d.'s shall be credited to the express revenue account.

2100 Dividends declared.

This account shall include the amount of dividends declared but not paid on any issue of capital stock of the carrier. Dividends shall be credited to this account as of the day upon which they become a liability of the carrier.

NOTE: Dividends declared and payable to associated companies shall be included in account 2030, Payable to Associated Companies.

2120 Taxes accrued.

(a) This account shall be credited each period with the amount of taxes accrued during the period, with concurrent debits to the appropriate accounts for tax charges. As credits to this account will necessarily be based upon estimates, they shall be adjusted from time to time during the year so that

the tax charge accounts may show as nearly as possible, the taxes applicable to the year. Payments of taxes for which accruals have been made shall be debited to this account. Amounts representing prepayment of taxes applicable to the period subsequent to the date of the balance sheet shall be included in account 1800, Prepayments.

(b) The records supporting the entries to this account shall be kept so that the carrier can furnish information as to the amount and basis for each tax accrual, the kinds of taxes paid, the amount of each and the accounts charged with the tax accruals.

NOTE A: The liability for income taxes of sole proprietors or members of a partnership shall not be included in this account.

NOTE B: The liability for social security and income taxes deducted from employees' wages for payment to taxing bodies shall be included in account 2050, Accounts Payable.

NOTE C: The liability for Federal or State Taxes on transportation charges collectible by motor carriers shall be included in account 2050, Accounts Payable.

2150 Interest accrued.

(a) This account shall include the amount of interest accrued to the date of the balance sheet, but not payable until after that date, on all indebtedness of the carrier except interest which is added to the principal.

(b) When interest matures without being paid, it shall be charged to this account and credited to account 2030, Payables to Associated Companies, or account 2160, Matured Interest, as appropriate. Payments to trustees or other agents of the holders of bonds or other securities, of the interest accrued thereon, which operate under the terms of the securities (or of mortgages supporting such securities) as a release of the carrier from further liability for such interest, shall be accounted for in the same manner as payments of interest made directly to bondholders.

NOTE: Interest accrued upon any judgment against the carrier shall be credited to the account to which such judgment stands credited.

2160 Matured interest.

This account shall include the amount of matured and unpaid interest on obligations of the accounting carrier whether the cause of the failure to

pay the interest is on the part of the creditor or for other reasons, except where such interest is added to the principal of the obligation.

NOTE: Interest payable to associated companies shall be included in account 2030, Payables to Associated Companies.

2180 Other current liabilities.

This account shall include all current and accrued liabilities not includible in any of the foregoing accounts. This includes unmatured rents accrued, unclaimed wages, and estimated amounts payable within one year covering liability for claims for injuries to persons, loss and damage, and similar items.

2185 Deferred income tax credits.

This account shall include the current portion of deferred income tax charges and credits determined in accordance with instruction 2–32 when the balance is a net credit. A net debit balance shall be included in account 1195, “Deferred income tax debits”.

[47 FR 12351, Mar. 23, 1982]

Long-term Debt Due Within One Year

2190 Equipment obligations and other debt due within one year.

This account shall include the total amount of bonds, equipment obligations, and other long-term debt obligations, including obligations maturing serially or payable in installments, which are due and payable within one year, and for which arrangements for long-term refinancing have not been made (See note C following account 2000, Notes payable) or for which no sinking funds have been provided. This account shall be subdivided according to the different classes of debt so maturing.

[41 FR 9164, Mar. 3, 1976]

Advances Payable

2200 Advances payable—Associated companies.

(a) This account shall include the amount of advances from associated companies including obligations due within one year which are expected to be refinanced on a long-term basis (See

note C following account 2000, Notes payable), whether evidenced by notes or open accounts which are not subject to current settlement, including interest accrued thereon, when such interest is not subject to current settlement.

(b) This account shall be subdivided so as to show for each creditor:

- (1) Notes payable.
- (2) Open accounts not subject to current settlement.
- (3) Interest accrued on amounts included in this account when not subject to current settlement:

NOTES: Amounts of temporary advances which are subject to current settlement such as charges for materials and supplies currently furnished, charges for repairs to equipment, etc., shall be included in account 2030, Payables to Associated Companies.

[32 FR 20280, Dec. 20, 1967, as amended at 41 FR 9164, Mar. 3, 1976]

2250 Other advances payable.

(a) This account shall include the amount of advances from individuals and companies other than associated companies, whether evidenced by notes or open accounts, which are not subject to current settlement, including interest accrued thereon when such interest is not subject to current settlement.

(b) This account shall be subdivided so as to show for each creditor:

- (1) Notes payable.
- (2) Open accounts not subject to current settlement.
- (3) Interest accrued on amounts included in this account when not subject to current settlement.

(c) The liability for advances payable to individuals and companies, other than affiliated companies, maturing within one year of the close of the accounting period is includible in account 2190—Equipment Obligations and Other Debt Due Within One Year.

NOTES: Amounts of temporary advances which are subject to current settlement such as charges for materials and supplies currently furnished, charges for repairs to equipment, etc., shall be included in account 2050, Accounts Payable.

*Equipment and Other Long-term Obligations***2300 Equipment obligations.**

(a) This account shall include the face value of unmatured equipment obligations issued by the carrier and maturing more than one year from the close of the accounting period or, if payable in installments, the face value of such installments not due within one year from such closing. (See account 2190—Equipment obligations and other debt due within one year.) This includes equipment bonds, equipment notes, chattel mortgages, and other obligations for which equipment is pledged as security or is held under a conditional sales agreement; also, the face value of equipment obligations issued by others, the payment of which has been assumed by the carrier; and of equipment obligations due within one year which are expected to be refinanced on a long-term basis (See note C following account 2000, Notes payable).

(b) This account shall be kept so as to show the face value of equipment obligation (1) nominally issued, and (2) actually outstanding. (See definitions 3, 31.)

(c) A separate subdivision shall be maintained for each class of equipment obligation and no issues shall be considered to be of the same class unless identical as to liability and nature of property covered.

NOTE A: Equipment obligations matured and unpaid without specific agreement for extension as to time of payment, including unrepresented equipment obligations called for redemption shall be included in account 2020, Matured Equipment and Long-Term Obligations.

[32 FR 20280, Dec. 20, 1967, as amended at 41 FR 9164, Mar. 3, 1976]

2310 Capitalized lease obligations.

(a) Long-term leases which are clearly in substance installment purchases shall be capitalized. The liability under such leases which have been capitalized in fixed asset accounts shall be recorded in this account. (See instruction 2-35.)

(b) This account shall be kept so as to show the liability under each lease obligation.

NOTE A: The portion of the liability for long-term leases which is payable within 1 year of the close of the accounting period is includible in account 2190, Equipment obligations and other debt due within one year.

NOTE B: Leases which merely state the right to use property and a related obligation to pay specific rents over a definite future period shall not be considered to be assets and liabilities.

[42 FR 56614, Oct. 27, 1977]

2330 Bonds.

(a) This account shall include the face value of bonds, other than equipment obligations issued by the carrier and maturing more than one year from the close of the accounting period; also, obligations due within one year which are expected to be refinanced on a long-term basis (See note C following account 2000, Notes payable); also the face value of such bonds issued by others, the payment of which has been assumed by the carrier. (See account 2190, Equipment obligations and other debt due within one year.)

(b) This account shall be kept so as to show the face value of bonds (1) nominally issued, and (2) actually outstanding. (See definitions 3, 31.)

(c) A separate subdivision shall be maintained for each class and series of bonds, and no issue shall be considered to be of the same class unless identical as to liability and nature of property covered.

NOTE A: Bonds matured and unpaid without specific agreement for extension as to time of payment, including unrepresented bonds called for redemption, shall be included in account 2020, Matured Equipment and Long-Term Obligations.

[32 FR 20280, Dec. 20, 1967, as amended at 41 FR 9164, Mar. 3, 1976]

2360 Other long-term obligations.

(a) This account shall include all long-term obligations not otherwise provided for which mature more than one year from the close of the accounting period, including obligations due within one year which are expected to be refinanced on a long-term basis (See account 2190, Equipment obligations and other debt due within one year; for explanation of long-term refinancing, see note C following account 2000, Notes payable). This covers such items,

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executed or assumed, as real estate mortgages; assessments for public improvements; receipts outstanding for long-term obligations; and other obligations maturing more than one year from date of issue.

(b) This account shall also include the face value of certificates of indebtedness issued upon the property by receivers in possession of the property acting under the orders of a court.

NOTE A: Separate subdivisions shall be maintained for each class of obligation included herein, and records shall be maintained to show separately for each issue all details as to date of issue, date of maturity, interest dates and rates, security for obligations, etc.

NOTE B: Matured obligations which are unpaid shall be included in account 2020, Matured Equipment and Long-Term Obligations.

[32 FR 20280, Dec. 20, 1967, as amended at 41 FR 9164, Mar. 3, 1976]

2370 Unamortized discount on debt.

This account shall include the total of the next debit balances representing the excess of the discount over the premium in connection with the issuance of each class of the carrier's outstanding long-term or equipment obligations. Separate subdivisions shall be maintained for each issue of such obligations. (See instruction 2-13.)

NOTE: Issue costs related to long-term debt (debt expense) shall be included in account 1890, Other Deferred Debits, and amortized proportionately on a consistent basis to account 7300, Amortization of Debt Discount and Expense. (See instruction 2-13.)

[41 FR 52468, Nov. 30, 1976]

2380 Unamortized premium on debt.

This account shall include the total of all credit balances representing the excess of the premium over the discount in connection with the issuance of each class of the carrier's outstanding long-term or equipment obligations. Separate subdivisions shall be maintained for each issue of obligations. (See instruction 2-13.)

NOTE: Issue costs related to long-term debt (debt expense) shall be included in account 1890, Other Deferred Debits, and amortized proportionately on a consistent basis to ac-

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count 7300, Amortization of Debt Discount and Expense. (See instruction 2-13.)

[41 FR 52468, Nov. 30, 1976]

Deferred Credits

2410 Deferred revenues—transfers from government authorities.

This account shall include amounts representing the cost of acquisition, addition to, or improvement of depreciable operating property received or receivable from Federal, State, or local authorities. Items to be included in this account shall be determined in accordance with instruction 2-36.

An appropriate record shall be maintained of each asset associated with these transfers showing: (1) Original cost to carrier (or fair value if not purchased), (2) accumulated depreciation, and (3) estimated salvage value, if any.

This account shall be charged periodically, and account 3800, "Operating Revenues—Amortization of Deferred Transfers from Government Authorities," shall be credited with amounts equal to the depreciation costs of the assets to which they apply. When such assets are retired or otherwise disposed of, this account shall be charged, and account 3800 concurrently credited with any remaining associated amounts. (See instruction 2.36).

NOTE: This account shall not include government transfers in the form of, or designated for the purchase of land or other non-depreciable property. Transfers of this type are includible in account 2900, "Unearned Surplus."

[43 FR 30560, July 17, 1978]

2450 Other deferred credits.

(a) This account shall include the credit balances in suspense accounts that cannot be entirely cleared and disposed of until additional information is received, and other items of a deferred nature. (See instruction 16.)

[32 FR 20280, Dec. 20, 1967, as amended at 39 FR 33348, Sept. 17, 1974]

2460 Accumulated deferred income tax credits.

(a) This account shall be credited with the noncurrent portions of deferred income tax debits and credits

when the balance is a net credit, as determined by instruction 2-32. A net debit balance shall be included in account 1895, "Accumulated deferred income tax debits".

(b) This account shall be credited with the amount of investment tax credits utilized in the current year for income tax purposes but deferred for accounting purposes (see instruction 2-32).

(c) This account shall be concurrently debited with amounts credited to account 3040, "Provision for deferred taxes," representing amortization of amounts for investment tax credits deferred in prior accounting periods.

(d) This account shall be maintained in such a manner as to show separately: (1) The unamortized balance of deferred income taxes and deferred investment tax credits separately as of the beginning and as of the end of each year, (2) entries which affected the account balance, and (3) the current year's net credits or charges applicable to timing differences and deferred investment tax credits.

NOTE A: For definitions of income tax terminology see definition 1-41. Account 8040, "Provision for deferred taxes", and account 9060, "Provision for deferred taxes—extraordinary items" shall concurrently be charged (credited) with the net effect of material timing effects. Other related deferred income tax balance sheet accounts are:

Account 1195, "Deferred income tax debits."
Account 1895, "Accumulated deferred income tax debits."

Account 2185, "Deferred income tax credits."

[47 FR 12351, Mar. 23, 1982]

Reserves

2500 Reserve for depreciation—Carrier operating property.

(a) This account shall be credited with the following:

(1) Amounts charged to account 5000, Depreciation Expense, account 5500, Income from Lease of Carrier Property—Credit, or other accounts for currently accruing depreciation (see definition 22) of carrier operating property as provided in instruction 25.

(2) The amount of depreciation accrued to date of transfer applicable to carrier operating property acquired as distinct operating units as provided in instruction 20.

(3) The amount of depreciation accrued to date of transfer, applicable to property transferred from accounts 1400, Non-Carrier Operating Property, or 1450, Non-Operating Property, to accounts 1200, Carrier Operating Property, or 1300, Carrier Operating Property Leased to Others. (See instruction 23.)

(b) Charges to this account in connection with carrier operating property retired shall be made in accordance with instruction 21. This account shall also be charged with the amount of depreciation accrued to date of transfer applicable to property transferred from accounts 1200, Carrier Operating Property, or 1300, Carrier Operating Property Leased to Others, to accounts 1400 or 1450.

(c) This account shall be subdivided to reflect the balance applicable to each class of property as follows:

2511 Structures.
2521 Revenue Equipment.
2531 Service Cars and Equipment.
2541 Shop and Garage Equipment.
2551 Furniture and Office Equipment.
2561 Miscellaneous Equipment.
2571 Improvements to Leasehold Property.
2581 Undistributed Property.
2591 Carrier Operating Property Leased to Others.

2600 Reserve for amortization—Carrier operating property.

(a) This account shall be credited with amounts charged to account 5100, Amortization of Carrier Operating Property, or other appropriate account, for amortization of the cost of acquiring leaseholds, franchises, consents, privileges, patents, and other intangible property having a fixed term life. This account shall also be credited with amounts charged to account 7500, Other Deductions, as appropriate, for the amortization or writeoff of cost of acquiring perpetual leaseholds and of intangible property which does not have a fixed term life.

(b) When any leasehold, franchise, permit, consent, privilege or patent expires, is sold or relinquished, or is otherwise retired from service, this account shall be charged with the amount previously credited hereto in respect of such property. The difference between the proceeds realized and the

net book cost (see definition 29 and instruction 21) of the property retired shall be included in account 5100, Amortization of Carrier Operating Property.

(c) Records shall be maintained so as to show separately the balances applicable to each item of intangible property which is being amortized.

(d) This account shall be credited with such amounts as are necessary to reflect, as of the effective date of this system of accounts, the expired portion of the life of franchises, permits, consents, patent rights, leaseholds, easements, rights-of-way, other interest in land, or other intangible property which has a fixed term life, the cost of which is included in operating property accounts 1200 and 1300 and intangible property accounts 1500 and 1550. To the extent that provision has not previously been made the amounts credited to this reserve shall be concurrently debited to account 2946, Other debits to Surplus.

[32 FR 20280, Dec. 20, 1967, as amended at 40 FR 53252, Nov. 17, 1975]

2610 Reserve for depreciation and amortization—Other property.

This account shall include amounts provided for depreciation and amortization of properties carried in accounts 1400, Non-Carrier Operating Property, and 1450, Non-Operating Property.

2650 Reserve for uncollectible accounts.

This account shall be credited each period with amounts reserved for receivables which may become uncollectible.

NOTE A: Charges applicable to receivables for carrier operating revenues shall be included in account 4680, Uncollectible Revenues.

NOTE B: Charges applicable to other than carrier operating revenues shall be included in account 7500, Other Deductions.

NOTE C: Charges for items not applicable to motor carrier operations shall be included in accounts 6000, Net Income from Non-Carrier Operations, or 6100, Net Income from Non-Operating Property, as appropriate.

2680 Injuries, loss and damage reserves.

(a) This account shall be credited with amounts charged to accounts 4530, Injuries and damages, 4546, Workmen's Compensation—Provision for Claims, Baggage and Express Loss and Damage, or other appropriate accounts to provide a reserve against claims for deaths of or injuries to employees and others; for damages to property not owned or held under lease by the carrier; and for loss, destruction, damage, or delays to property intrusted to the carrier for transportation or storage, which are not covered by outside insurance. (See instruction 27.) A schedule of risks covered by this reserve shall be maintained in sufficient detail to indicate the character of the risks covered and the rates used.

(b) This account shall be charged with claims payable for injuries and damages when the risk is specifically provided for in the schedule applicable to this account.

(c) When liability for any injury or damage is admitted by the carrier either voluntarily or because of the decision of a court or other lawful authority such as a workmen's compensation board, industrial commission, etc., the amount shall be charged to this account. The amount of such a liability shall be credited to account 2030, Payable to Associated Companies, account 2050, Accounts Payable, or account 2450, Other Deferred Credits, as appropriate, until paid or liquidated.

(d) This account shall be subdivided to reflect:

- (1) Reserve for personal injuries and property damage.
- (2) Reserve for baggage and express loss and damage.

NOTE: The accounting for repairs and replacements of property owned, or leased from others, shall be as provided in paragraph (b) of account 2660, Insurance Reserves.

(e) At the close of the accounting period the estimated amounts payable within one year covering liability for claims for injuries to persons, loss and damage, and similar items shall be transferred for purposes of the balance

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sheet statement to account 2180—Other Current Liabilities.

[32 FR 20280, Dec. 20, 1967, as amended at 41 FR 32598, Aug. 4, 1976]

2690 Other reserves.

(a) This account shall include amounts reserved by the carrier for purposes which are not provided for in any of the preceding reserves. There shall be reported hereunder such accounts as sinking fund reserves, contingency reserves and other reserves created by charges to income or surplus.

(b) This account shall be maintained in such manner as to show the amount of each separate reserve and the nature and the amounts of the debits and credits thereto.

Capital Stock

2700 Preferred capital stock.

2710 Common capital stock.

(a) These accounts shall include the par value of stocks with par value; the stated value of non-par stocks having a stated value; and the cash value of the consideration received, including assessments, for non-par stocks without stated value, which have been nominally or actually issued.

(b) Separate accounts shall be provided for each class of stock, and the title of each account shall clearly identify the class of stock covered. Issues of stock shall not be considered as of the same class unless identical in all provisions, nor shall there be carried any undivided item in respect of more than one class of stock.

(c) When stock is issued for cash, that fact shall be stated; if for any consideration other than cash, the person to whom it is issued shall be designated and the consideration for which it is issued shall be described with sufficient particularity to identify it. If such issuance is to the treasurer or other agent of the corporation for purpose of sale, that fact and the name of such agent shall be shown; and such agent shall show like details concerning the consideration realized therefor in his account of the disposition thereof, which when accepted by the corpora-

tion, shall be preserved as a corporate record.

(d) When capital stock is retired and canceled, these accounts shall be charged with the amount at which such stock is carried in these accounts.

NOTE A: For each class of stock the records shall show the number of shares nominally issued, actually outstanding, and nominally outstanding. (See definitions 3, 31.) When non-par stock (without stated value) is nominally issued a memorandum entry shall be made showing only the number of shares so issued.

NOTE B: When non-par stock is issued in exchange for par stock, or non-par stock with stated value, amounts included in account 2720, Premiums and Assessments on Capital Stock, for the retired stock, shall be treated as part of the consideration received for non-par stock.

NOTE C: No entries recording changes in the par value of stocks with par value; the stated value of non-par stocks having a stated value; or the recorded value of non-par stocks without stated value shall be made in any account for capital stock without approval of the Commission.

2720 Premiums and assessments on capital stock.

(a) This account shall include the excess of the actual cash value (at the time of sale of the stock) of the consideration received over the par or stated value of the stock issued, plus accrued dividends, if any; and subsequent assessments against stockholders representing payments required in excess of par or stated value.

(b) A separate subdivision shall be maintained for premiums on each class and series of stock.

(c) When capital stock is retired and canceled, the amount in this account with respect to the shares retired and canceled shall be debited hereto in accordance with instruction 14.

2730 Capital stock subscribed.

This account shall include the amount of legally enforceable subscriptions to capital stock of the carrier. It shall be credited with the par or stated value, or with the subscription price in the case of stock without par or stated value, exclusive of accrued dividends, if any. Concurrently a debit shall be made to account 1140, Subscribers to Capital Stock, for the agreed purchase price and any discount or premium

debited or credited to the appropriate discount or premium account. When properly executed stock certificates have been issued representing the stocks subscribed, this account shall be debited and the appropriate capital stock account credited with the par or stated value (or the consideration received in the case of non-par stock without a stated value) of the stock.

Non-Corporate Capital

2800 Sole proprietorship capital.

This account shall include the investment in an unincorporated carrier by the proprietor thereof and shall be charged with all withdrawals from the business by its proprietor. At the end of each calendar year the net income for the year as developed in the income account shall be transferred to this account. There shall also be entered in this account such items as in corporate organizations are handled through earned surplus accounts 2930 to 2946. (See optional accounting procedure provided in note B, hereunder.)

NOTE A: Amounts payable to the proprietor as fair and reasonable compensation for services performed, shall be charged to the appropriate operation and maintenance expense or other accounts.

NOTE B: This account may be restricted to the amount considered by the proprietor to be the permanent investment in the business, subject to change only by additional investment by the proprietor of the withdrawals of portions thereof not representing net income. When this option is taken the surplus accounts shall be maintained and entries thereto shall be made in accordance with the texts thereof.

2810 Partnership capital.

This account shall be credited, where the business is conducted by an unincorporated firm, co-partnership or under any style other than that of an incorporated company or sole proprietorship, with the respective amounts paid into the business by the partners therein, and shall be charged with all withdrawals from the business by each partner. At the end of each calendar year the net income for the year as developed in the income account shall be transferred to this account. There shall also be entered in this account such items as in corporate organizations are

handled through earned surplus accounts 2930 to 2946. (See optional accounting procedure provided in note C hereunder.)

NOTE A: Amounts payable to the partners as fair and reasonable compensation for services performed, shall be charged to the appropriate operation and maintenance expense or other accounts.

NOTE B: Separate accounts shall be kept to show the net equity of each member of the co-partnership and the transactions affecting the interest of each such partner. The total of the balances in such accounts shall be shown as one amount in the balance sheet.

NOTE C: This account may be restricted to the amount considered by the members of the co-partnership to be their permanent investment in the business, subject to change only by additional investments by the co-partners or the withdrawals of portions thereof not representing net income. When this option is taken the surplus accounts shall be maintained and entries thereto shall be made in accordance with the texts thereof.

Unappropriated Surplus

2900 Unearned surplus.

(a) This account shall include all surplus not classified in this part as earned surplus. It shall include such items as surplus arising from the donations by stockholders of the carrier's capital stock; surplus recorded at reorganization or in connection with recapitalization; net credits resulting from reacquisition or resales of carrier's capital stock (see instruction 14); amortization of discount and expenses on capital stock (see instruction 12); and from a reduction of the par or stated value of the carrier's capital stock where allowed by statute.

(b) This account shall be subdivided into accounts to show each source of unearned surplus (including the cumulative amounts representing the cost of nondepreciable property received from government authorities, in accordance with the provisions of instruction 2–35).

(c) No entry shall be made in this account to create unearned surplus arising out of the reevaluation of carrier operating property except upon written order of the Commission.

[43 FR 30560, July 17, 1978]

2930 Earned surplus.

(a) This account shall include the balance of the amounts included in accounts 2932 to 2946, inclusive, either debit or credit, of unappropriated surplus arising from earnings. It shall not include surplus property includible under accounts 2800, Sole Proprietorship Capital, 2810, Partnership Capital, or 2900, Unearned Surplus.

(b) The balance of all earned surplus accounts (2932 to 2946, inclusive) shall be closed to this account at the end of each calendar year.

2931 Prior period adjustments to beginning retained surplus account.

This account shall include adjustments after giving income tax effect, in accordance with the text of instructions 2-7, to the balance in the retained surplus account at the beginning of the calendar year, upon approval by the Commission.

[40 FR 53252, Nov. 17, 1975]

2932 Credit balance transferred from income account.

This account shall include the net credit balance brought forward from the income account for the current calendar year.

2933 Other credits to surplus.

(a) This account shall include other credit adjustments, net of assigned income taxes, not provided for elsewhere in this system but only after such inclusion has been authorized by the Commission.

(b) The records supporting entries in this account shall be so maintained that an analysis thereof may be readily made available.

2942 Debit balance transferred from income account.

This account shall include the net debit balance brought forward from the income account for the current calendar year.

2943 Dividend appropriations.

(a) This account shall include amounts declared as dividends on capital stock actually outstanding.

(b) This account shall be subdivided to show separately the dividends on

each class of stock. If a dividend is not payable in cash, the consideration shall be described in the entry with sufficient particularity to identify it.

NOTE: Dividend charges shall be restricted to actually outstanding stock and this account shall not include charges for dividends on capital stock issued by the carrier and owned by it.

2944 Appropriations to reserves.

This account shall include appropriations from surplus for sinking fund and other reserves and allotments of surplus, or transfers of definite amounts from surplus into sinking fund and other reserves under the terms of mortgages, deeds of trust, or under contracts, and such other appropriations of surplus to be set aside in special reserve accounts as the accounting carrier may make.

2945 Other appropriations.

This account shall include appropriations of surplus not includible elsewhere.

2946 Other debits to surplus.

(a) This account shall include (1) charges which reduce or write off discount on capital stock issued by the company, and (2) in pooling of equity interests situations, the excess of the value of the surviving company's capital stock over the aggregate total of the capital stock of the separate companies before such merger or consolidation, but only to the extent that unearned surplus is not available for such purposes. (See instructions 21(d) and 20(a)(2)(ii).)

(b) This account shall include other debit adjustments, net of assigned income taxes, not provided for elsewhere in this system but only after such inclusion has been authorized by the Commission.

(c) The records supporting entries in this account shall be so maintained that an analysis thereof may be readily made available.

2946.5 Net unrealized loss on noncurrent marketable equity securities.

This account shall include the accumulated changes in account 1676 to the extent that these changes represent a

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net unrealized loss (aggregate cost exceeds market value).

[42 FR 33301, June 30, 1977]

2947 Treasury stock.

(a) This account shall include in subdivisions for each class the reacquisition cost of capital stock which has been actually issued or assumed by the carrier, then reacquired, and is neither retired nor canceled, nor properly includible in sinking or other funds.

(b) This account shall be maintained to reflect separately securities pledged and unpledged.

(c) This account shall be shown on the Balance Sheet as a deduction in arriving at Stockholders' Equity.

NOTE A: The accounting for the reacquisition of capital stock and resale thereof shall be in accordance with instruction 2-14, paragraph (a).

[40 FR 44564, Sept. 29, 1975]

2999 Form for balance sheet statement.

(See instructions 17, 18.)

ASSET SIDE			
Current assets:			
1000	Cash		\$
1020	Working Funds		
1040	Special Deposits		
1060	Temporary Cash Investments		
	(a) Pledged	\$	
	(b) Unpledged	\$	
1080	Notes Receivable	\$	
1100	Receivables from Associated Companies		
1120	Accounts Receivable		
	Less: Reserve for Uncollectible Accounts		
1140	Subscribers to Capital Stock		
1160	Interest and Dividends receivable		
1170	Prepayments		
1180	Materials and Supplies		
1190	Other Current Assets		
1195	Deferred income credits		
Total Current Assets			
Tangible Property:			
1200	Carrier Operating Property		
	Less: Reserve for Depreciation and Amortization		
1300	Carrier Operating Property Leased to Others		
	Less: Reserve for Depreciation and Amortization		
1400	Non-Carrier Operating Property		
	Less: Reserve for Depreciation and Amortization		
1450	Non-Operating Property	\$	

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Less: Reserve for Depreciation and Amortization		\$
Total Tangible Property		
Intangible Property:		
1500	Organization, Franchises and Permits	\$
	Less: Reserve for Amortization	\$
1550	Other Intangible Property	
	Less: Reserve for Amortization	
Total Intangible Property		
Investment Securities and Advances:		
1600	Investments and Advances; Associated Companies	\$
	(a) Pledged	\$
	(b) Unpledged	
1650	Other Investments and Advances	\$
	(a) Pledged	
	(b) Unpledged	
Less:		
	(a) Reserve for adjustment of investments in securities	
	(b) Allowance for net unrealized loss on noncurrent marketable equity securities	
Total investment securities and advances		
Special Funds:		
1701	Sinking Funds	
1751	Depreciation Funds	
1781	Miscellaneous Special Funds	
Total Special Funds		
Deferred debits:		
1890	Other Deferred Debits	
1895	Accumulated deferred income tax charges	
Total Deferred Debits		
Miscellaneous Debit Items:		
1900	Discount on Capital Stock	
1910	Commission and Expense on Capital Stock	
Total Miscellaneous Debits		
Total Assets		
Contingent Assets (not included above)		\$
LIABILITY SIDE		
Current Liabilities:		
2000	Notes Payable	\$
2020	Matured Equipment and Long-Term Obligations	
2030	Payables to Associated Companies	
2050	Accounts Payable	
2070	Wages Payable	
2080	Unredeemed Tickets	
2090	C.O.D.'s Unremitted	
2100	Dividends Declared	
2120	Taxes Accrued	
2150	Interest Accrued	\$
2160	Matured Interest	
2180	Other Current Liabilities	
2185	Deferred income credits	

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Total Current Liabilities (exclusive of long-term debt due within one year)	
Long-term debt due within one year:		
2190 Equipment obligations and other debt .....	.....
Advances Payable:		
2200 Advances Payable; Associated Companies .....	.....
2250 Other Advances Payable .....	.....
Total Advances Payable .....	.....
Equipment and Other Long-Term Obligations:		
2300 Equipment Obligations	\$	
Less: Recquired and Nominally Issued .....	.....
2310 Capitalized Lease Obligations .....	.....
2330 Bonds .....	.....
Less: Recquired and Nominally Issued .....	.....
2360 Other Long-Term Obligations	\$	
Less: Recquired and Nominally Issued	\$	
2410 Deferred revenues—transfers from government authorities .....	.....
2370 Unamortized Discount on Debt .....	.....
2380 Unamortized Premium on Debt .....	.....
Total Equipment and Other Long-term Obligations (net) .....	.....
Deferred Credits:		
2400 Unamortized Premium on Debt	\$	
2450 Other Deferred Credits .....	.....
2460 Accumulated deferred income tax credits .....	.....
Total Deferred Credits .....	.....
Reserves:		
2680 Injuries, Loss and Damage Reserves .....	.....
2690 Other Reserves .....	.....
Total Reserves .....	.....
Capital Stock:		
2700 Preferred capital stock	\$	
Less: Nominally issued .....	.....
2710 Common capital stock	\$	
Less: Nominally issued .....	.....
2720 Premiums and Assessments on Capital Stock .....	.....
2730 Capital Stock Subscribed .....	.....
Total Capital Stock .....	.....
Non-Corporate Capital:		
2800 Sole Proprietorship Capital .....	.....
2810 Partnership Capital .....	.....
Total Non-Corporate Capital .....	.....
Unappropriated Surplus:		
2900 Unearned Surplus	\$	
2930 Earned Surplus (Deficit in red) .....	.....
Total Unappropriated Surplus .....	.....
Total Liabilities .....	.....
2946.5 Net unrealized loss on noncurrent marketable equity securities	()	
2957 Treasury Stock	()	
Total unappropriate surplus .....	.....
Total liabilities and equity .....	.....
Contingent liabilities (not included above)	\$	

[32 FR 20280, Dec. 20, 1967, as amended at 37 FR 25846, Dec. 5, 1972; 39 FR 33349, Sept. 17, 1974; 39 FR 34047, Sept. 23, 1974; 40 FR 44564, Sept. 29, 1975; 41 FR 32598, Aug. 4, 1976; 41 FR 52468, Nov. 30, 1976; 42 FR 33301, June 30, 1977; 42 FR 56613, Oct. 27, 1977; 43 FR 30560, July 17, 1978]

INCOME ACCOUNTS

(ORDINARY ITEMS)

Operating Revenues

3000 Operating revenues (exclusive of transfers from government authorities).

This account shall include the total operating revenues as provided in the primary operating revenue accounts, derived by the carrier from its motor carrier operations during the period covered by the income account.

NOTE: Transfers from government authorities shall be accounted for in accordance with the provisions of instruction 2-36.

[43 FR 30559, July 17, 1978]

3200 Passenger revenue.

(a) This account shall include all revenue accrued from the transportation of passengers over regularly operated routes. This includes:

(1) Revenue upon the basis of local tariff fares.

(2) The carrier's proportion of revenue from joint tariff fares.

(b) This account shall be charged with:

(1) Redemptions of unused or partially used local passenger tickets.

(2) The carrier's proportion of redemption of unused and partially used through or interline passenger tickets.

(3) The carrier's proportion of overcharges resulting from the application, in error, of fares in excess of tariffs.

(4) The carrier's proportion of refunds of tickets issued in lieu of passes under regulations of the Commission and section 217(b) of Part II of the Interstate Commerce Act.

NOTE A: The foregoing is based upon the practice of accounting on a "ticket sales basis" and not on a "ticket lift basis." Carriers using the "ticket lift basis" shall credit this account with the revenue earned from the transportation of passengers as determined by the "ticket lift" concurrently charging account 2080, Unredeemed Tickets.

NOTE B: By “regularly operated routes” is meant routes or portions thereof over which uniform service is maintained at intervals of 1 week or less.

NOTE C: Revenue from transportation of passengers on special busses at fares based on special rates shall be credited to account 3210, Special Bus Revenue.

NOTE D: Payments to other carriers for transportation of passengers, their baggage and personal effects to complete any portion of the reporting carrier's haul, shall be charged to account 4250, Purchased Transportation, or account 4370, Purchased Collection and Delivery, as appropriate.

NOTE E: Divisions of tariff rates due other carriers shall be included in the appropriate accounts payable account.

NOTE F: Revenue derived from sleeping accommodations furnished passengers shall be included in account 3900, Other Operating Revenue.

3210 Special bus revenue.

(a) This account shall include the amounts earned by the carrier from busses chartered for special passenger and other special contract service.

(b) This account shall be charged with the amounts of all special bus refunds.

3220 Baggage revenue.

(a) This account shall include the revenues earned from the transportation of baggage in excess of free authorized allowances and for the transportation of packages, articles, dogs, etc., as baggage.

(b) This account shall be charged with the amounts of all baggage refunds.

3300 Mail revenue.

(a) This account shall include revenue earned from the transportation of United States and other mails, and from bonuses for special mail transportation.

(b) This account shall be charged with fines and penalties imposed by the Government in connection with the transportation of mail which are not collectible from agents or employees.

3400 Express revenue.

(a) This account shall include the amounts earned by the carrier from the transportation of express matter (including milk and cream) at specified

tariff rates and the fees for handling express c.o.d.'s.

(b) This account shall be charged with:

(1) The carrier's proportion of overcharges resulting from use of erroneous rates, weights, classifications or computations.

(2) Uncollected earnings on express destroyed in transit and on short and lost express.

3500 Newspaper revenue.

(a) This account shall include the revenue earned from the transportation of newspapers at specified tariff rates.

(b) This account shall be charged with the amounts of all refunds on newspaper revenue billing resulting from overcharges, etc.

3600 Miscellaneous station revenue.

This account shall include the revenue earned by the carrier from:

(a) Weighing, vending and other automatic machines located at stations.

(b) Advertising cards at stations.

(c) Companies or others for the privilege of operating newsstands, lunch counters, soda fountains, etc., at stations, and selling papers, periodicals, pillows or pillow service, tobacco, etc., on busses.

(d) Telephone companies for the privilege of installing and operating commercial telephones and coinbox telephones at stations.

(e) Taxicab companies for the privilege of operating taxicab stands at stations.

(f) Operation of parcel rooms.

(g) Parcel room privileges in stations and terminals of the carrier and leased to others.

(h) Storage of baggage.

(i) Operation of restaurants, cafes, lunch rooms, lunch counters, cafeterias and soda fountains.

(j) Operation of all other miscellaneous station concessions, not provided for elsewhere.

3700 Operating revenues—transfers from government authorities for current operations.

This account shall include amounts received or receivable from Federal, State, or municipal authorities which

are specifically designated to offset operating expenses, or which may be applied at the discretion of the carrier to operating expenses and/or carrier operating property.

This account shall include amounts received from government authorities to offset operating costs sustained on specific routes, such as payments by regional transit authorities in connection with specified commuter operations performed by the carrier.

This account shall also include indirect receipts which reduce operating expenses such as assumption of station maintenance costs, abatement of taxes, or other indirect contributions by government agencies, if clearly identifiable and measurable.

NOTE: This account shall not include receipts from government agencies in the form of, or designated for the acquisition, addition to, or improvement of carrier operating property. (See instruction 2-36.)

[43 FR 30560, July 17, 1978]

3800 Operating revenues—amortization of deferred transfers from government authorities.

This account shall include the amortization applicable to amounts representing the cost of acquisition, addition to, or improvement of depreciable operating property received from Federal, State or municipal authorities. (See instruction 2-36, and account 2410, "Deferred Revenues—Transfers from Government Authorities.")

[43 FR 30560, July 17, 1978]

3900 Other operating revenue.

This account shall include revenues not provided for in accounts 3200 to 3600, inclusive, derived from the operation of property, the investment in which is included in account 1200, Carrier Operating Property, including amounts received from sleeping accommodations on busses, snowplow work and revenue from display of advertising in and on revenue automotive equipment, and the excess of guaranteed route revenue over tariff revenues.

Operation and Maintenance Expenses

4000 Operation and maintenance expenses.

This account shall include the total of operation and maintenance expenses, as provided in the primary accounts, incurred by the carrier in its motor carrier operations during the period covered by the income account.

4100 Equipment maintenance and garage expenses.

This account shall include the total of amounts included in accounts 4110 to 4196, inclusive.

4110 Supervision of shop and garage.

This account shall include the pay and expenses (including cost of operating automobiles) of officials and employees engaged in supervising and directing the repairs to revenue automotive equipment and shop and garage property used in providing motor-carrier service, including superintendents, foremen (except working foremen), inspectors, shop and garage clerks, and time keepers. (See instruction 28.)

4121 Repairs to shop and garage equipment.

This account shall include the cost of repairs (see instructions 26, 28) to tools, equipment and permanently located machinery used in shops and garages. (For list of equipment, see account 1241, Shop and Garage Equipment.)

NOTE A: The cost of repairs to portable tools shall be included in account 4132, Other Shop and Garage Expenses.

NOTE B: Amounts recovered from insurance companies or others and losses provided for in account 2660, Insurance Reserves, for damages to shop and garage equipment shall be credited to this account in such manner as to be readily identifiable.

4122 Operation and maintenance of service equipment.

This account shall include the cost of labor, fuel, tires and supplies for the operation and the cost of repairs to service equipment, such as trouble cars and wagons, wreckers, repair trucks,

snowplows, sweepers, scrapers, refueling cars, automobiles, motorcycles, or other equipment included under account 1231, Service Cars and Equipment. (See instructions 26, 28.)

NOTE A: The pay of employees and expenses incurred in operating snowplows, sand, and salt cars, and other service equipment used in cleaning and safeguarding roads, shall be charged to account 4261, Road Expense.

NOTE B: Amounts recovered from insurance companies or others and losses provided for in account 2660, Insurance Reserves, for damage to service equipment shall be credited to this account in such manner as to be readily identifiable.

NOTE C: When any service equipment is used in a particular operation other than maintenance, such as automobiles or motorcycles used in connection with advertising, the cost of operation of such service equipment shall be charged to the account provided for expenses of that character.

4128 Repairs to shop and garage buildings and grounds.

This account shall include the cost of repairs to shop and garage structures used in motor carrier operations such as shops, garages, and service stations, together with fixtures, grounds and approaches. (See instructions 26, 28.)

ITEMS

Changing location of partitions. (See also note A hereunder.)
 Maintaining public improvements, including assessments covering such work.
 Maintaining yards and grounds, including fences, shrubbery, driveways, sidewalks, platforms, and sewers.
 Minor improvements to leased buildings and grounds. (See also instruction 22.)
 Repainting buildings, including redecorating interiors of buildings.
 Repairing building machinery, fixtures, appurtenances, and appliances, such as elevators, plumbing, and equipment for heating, lighting, and ventilating.
 Repairing rented buildings and grounds.
 Replacing and repairing awnings, screens, window shades and ventilators, storm doors, storm windows, movable partitions, and similar movable minor items of buildings. (See also note A hereunder.)
 Replacing minor items of buildings including labor and material used and the cost of removal and recovery of the items retired less salvage recovered. (See also instruction 21, and note A hereunder.)
 Restoring condition of buildings or grounds damaged or otherwise altered in the course of repairs, replacements, additions, or bet-

terments. (See also account 2660, Insurance Reserves.)

NOTE A: The cost of any substantial increase or decrease in partitions shall be charged or credited, as appropriate, to account 1211—Structures. When partitions of a movable type are replaced by partitions of a permanent type or vice versa, the costs involved shall be accounted for through the operating property and the depreciation reserve accounts.

NOTE B: The cost of initial improvements (including repairs and rearrangements in the preparation for service of purchased buildings or grounds) shall be charged to account 1201, Land and Land Rights, or account 1211, Structures, as appropriate. The accounting for expenditures on property leased from others shall be as provided in instruction 22.

NOTE C: Amounts recovered from insurance companies or others and losses provided for in account 2660—Insurance Reserves, for damages to buildings and grounds shall be credited to this account in such manner as to be readily identifiable.

4131 Light, heat, power, and water for shops and garages.

This account shall include the cost of light, heat, power and water used at each shop and garage; the cost of fuel used for heating, lighting or power; also include pay and expenses of employees engaged in producing light, heat, and power. (See instruction 28.)

ITEMS

Fuel for heating, lighting, or power used in shops and garages.
 Heat purchased for shops and garages.
 Light for shops and garages.
 Power for battery charging or for other uses than repairs.
 Wages and expenses of employees engaged in producing light, heat, and power for shops and garages.
 Water.

4132 Other shop and garage expenses.

This account shall include the cost of miscellaneous shop and garage expenses, including the replacement cost (see instruction 21) of small tools, such as reamers, taps, files, hammers and all small tools of like nature; labor and material used in the repair of small tools; pay of employees engaged in receiving, issuing and distributing parts and supplies; pay of gas and oil attendants; transportation, loading and unloading charges on parts and supplies, handled in shops and garages, when not specifically assignable to such parts

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and supplies; and other miscellaneous labor and expenses not provided for elsewhere. (See instruction 16.)

ITEMS

Ice and other refrigerants.
Lubricants for shop and garage machinery.
Portable hand tools of short life.
Small tools used in repairs or for general shop and garage purposes.
Snow and dust removal—shop and garage yards.
Supplies used in cleaning and for general shop and garage purposes, such as lamps, grease, oil, waste, brushes, brooms, etc.
Other expenses in shops and garages.

4140 Repairs to revenue equipment.

This account shall include cost of repairs to revenue automotive equipment used in transportation service. (For list of equipment see account 1221, Revenue Equipment.) This account shall be maintained so as to reflect separately the cost of repairs to revenue automotive equipment involved in accidents. (See instructions 26, 28.)

NOTE A: An accident for the purpose of this account is damage caused through the collision of a vehicle with either a stationary or moving object, or through tire failure or fire.

NOTE B: The accounting for expenditures on motor vehicles leased from others shall be as provided in instruction 22.

NOTE C: Amounts recovered from insurance companies or others and losses provided for in account 2660, Insurance Reserves, for repairs to motor vehicles shall be credited to this account in such manner as to be readily identifiable.

NOTE D: The cost of repairs to equipment used in collection and delivery service if determinable shall be included in account 4360, Collection and Delivery.

4150 Servicing of revenue equipment.

This account shall include the pay of employees (see instruction 28) engaged in preparing revenue automotive equipment for service and of garage and shop employees other than those engaged in making repairs; the cost of supplies used and miscellaneous expenses incurred in washing, cleaning, greasing, and otherwise keeping equipment ready for service; and amounts paid to public garages for storage or servicing (including towing) of revenue automotive equipment.

ITEMS

Garage employees:

Cleaners.
Oilers and greasers.
Washers.
Garage expenses:
 Battery charging (labor and distilled water).
Cleaning supplies, such as soap, sponges, brooms, brushes, cloths, rubber clothing, etc.
Graphite.
Grease.
Public garage storage charges.
Public garage servicing charges, including washing, greasing, cleaning, etc., but not repairs.
Washing vehicles.

4160 Tires and tubes—Revenue equipment.

(a) This account shall include the cost of labor and material used in repairing and renewing (setting up or mounting) tires on revenue automotive equipment, including shoes, inner tubes, valves, flaps, and caps. (See instruction 28.)

(b) The entire cost of tires and tubes for revenue automotive equipment purchased outright may be charged to this account at the time vehicles are purchased or charged to account 1170, Prepayments, and a prorated portion charged to this account for each period based on mileage or other equitable basis. If the latter method is used, adjustments of over or under charges at the time of replacement shall be made through this account.

(c) Credit to this account any revenues derived from the sale of used tires and tubes and any adjustments on defective tires and tubes, the cost of which has previously been debited hereto.

(d) When the carrier contracts to use tires at a flat sum per period or on a basis of miles run or upon some similar basis, the charges for such tire service, including the cost of abused tires, shall be included each period in this account.

NOTE A: The cost of tires and tubes used by service cars shall be charged to account 4122, Operation and Maintenance of Service Equipment.

NOTE B: The cost of tires and tubes for collection and delivery equipment if determinable shall be included in account 4360, Collection and Delivery.

[32 FR 20280, Dec. 20, 1967, as amended at 37 FR 25846, Dec. 5, 1972]

4191 Joint garage expenses—Debit.

This account shall include the carrier's proportion of costs incurred by others in maintaining and operating joint shop and garage equipment and facilities, including overhead costs, except items chargeable to account 5340, Joint Facility Rents—Debit. (See definition 25, and instruction 29.)

4196 Joint garage expense—Credit.

This account shall include the amounts chargeable to others as their proportion of the costs incurred by the carrier in maintaining and operating joint shop and garage equipment and facilities, including overhead costs, except items creditable to account 5390, Joint Facility Rents—Credit. (See definition 25, and instruction 29.)

4200 Transportation expense.

This account shall include the total of amounts included in accounts 4210 to 4264.

4210 Supervision of transportation.

This account shall include the pay and expenses (including cost of operating automobiles) of officials and employees engaged in supervising and directing transportation service, including superintendents, dispatchers, starters, inspectors, and employees engaged in furnishing tickets and supplies to drivers of passenger vehicles, or to receiving remittances, etc.; cost of light, heat, water, and refrigeration for the transportation department; and the cost of schedule or service checks. (See instruction 28.)

4220 Drivers' wages and bonuses.

This account shall include the wages and bonuses of drivers of passenger vehicles engaged in passenger transportation service, including wages paid for time during which they are required to be on duty in readiness for active service. The wages of drivers on special trips for hire should also be charged to this account.

NOTE: Charge to account 4360, Collection and Delivery, the wages of employees engaged in collecting express from consignors and delivering express to consignees, and local pick-up and delivery service provided for inter-city passengers, when such wages can be separated from those applicable to

regular operation between terminals. (See instruction 28.)

4230 Fuel for revenue equipment.

This account shall include the cost of gasoline, other fuel and enriching materials used by passenger equipment. Include in this account the cost of storing and handling fuel and amounts payable to others for the cost of transportation.

NOTE A: Taxes on fuel shall be charged to account 5200, Operating Taxes and Licenses.

NOTE B: Fuel used by service cars shall be charged to account 4122, Operation and Maintenance of Service Equipment.

NOTE C: The cost of fuel used by equipment in collection and delivery service if determinable shall be included in account 4360, Collection and Delivery.

4240 Oil for revenue equipment.

This account shall include the cost of lubricating oils used in lubricating passenger equipment. Include in this account the cost of storing and handling lubricating oil and amounts payable to others for the cost of transportation.

NOTE A: Taxes on lubricating oil shall be charged to account 5200, Operating Taxes and Licenses.

NOTE B: The cost of lubricating oil used by service cars shall be charged to account 4122, Operation and Maintenance of Service Equipment.

NOTE C: The cost of lubricating oil used by equipment in collection and delivery service if determinable shall be included in account 4360, Collection and Delivery.

4250 Purchased transportation.

This account shall include amounts payable to others for performing any portion of the carrier's inter-city tariff haul under contractual arrangements whereby the agreements for the compensation is based on other than actual division of tariff rates, and under arrangements whereby the expenses of the operation are borne by the hired carrier.

4261 Road expense.

This account shall include the cost to the carrier of labor and material used in sanding roadways, spreading ashes or the removal of snow and ice, and otherwise. This includes the cost of tools and materials used in this work, including the cost of delivering such

materials; wages of men operating snowplows, sweepers, tractors, scrapers, etc.; amounts paid to others for removing snow and ice; and other supplies and expenses, such as meals for crews engaged in removing snow and ice. (See instruction 28.)

NOTE: The cost of repairs to equipment used in snow removal shall be included in account 4122, Operation and Maintenance of Service Equipment.

4262 Bridge, tunnel and ferry tolls.

This account shall include tolls at rates per passenger, per ton, per vehicle, or other basis for the use of bridges, tunnels and ferries by revenue passenger equipment in transportation service.

4263 Wages of miscellaneous transportation employees.

This account shall include the wages of co-operators (conductors), hostesses (conductorettes), lecturers and guides on busses, porters and stewards on busses, secret service inspectors, and other employees performing similar service.

4264 Other transportation expenses.

This account shall include carrier transportation expenses not provided for in other accounts in the transportation group.

ITEMS

Alcohol and other non-freeze preparations.
All expenses incidental to the comfort of passengers in connection with break-downs on the road.
Badges for employees.
Conductors' books, punches, etc.
Fines for traffic violations.
Fire extinguisher supplies (for passenger equipment).
Hat checks.
Head rest covers including laundry.
Ice and other refrigerants (for passenger equipment).
Lamps, bulbs and carbon (for passenger equipment).
Lodging for drivers and miscellaneous transportation employees.
Meals for drivers and miscellaneous transportation employees.
Notices.
Secret service inspections by other than employees.
Signs (paper and carboard).
Tire chains.
Uniforms, including their care.

4300 Station expense.

This account shall include the total of amounts included in accounts 4311 to 4396, inclusive.

4311 Salaries and commissions.

This account shall include the wages and salaries of station employees; amounts paid to station or ticket agents in commissions or bonuses in lieu of salary; and the wages of express and mail handlers and clerks in passenger stations. (See instruction 28.)

ITEMS

Announcers.
Baggage agents.
Baggagemen.
Clerks.
Commissions or bonuses to employees in lieu of wages.
Express agents.
Express handlers.
Janitors.
Mail handlers.
Platform men.
Porters.
Station agents.
Station gatemen.
Station masters.
Telephone and information operators.
Ticket agents.

NOTE: Commissions paid to other than the accounting carrier's employees for the sale of tickets, handling of express, baggage, newspapers, etc., shall be included in account 4331, Commissions Paid.

4314 Supplies and expenses.

This account shall include the expenses incurred (exclusive of salaries and wages of station employees) in the operation of passenger terminals, waiting rooms, shelter sheds, and other similar property used by the transportation department in connection with passenger traffic, such as the cost of the light, heat, water, and ice; cost of uniforms and badges for station employees; cost of hand tools and implements used in handling express and mail; cost of operation and maintenance or upkeep of permanent signs designating a station, depot or passenger terminal; and the cost of supplies used and amounts of other expenses incurred in operating passenger stations.

ITEMS

Ash removal.

Badges for employees.
 Cleaning supplies.
 Heating or cooling, including supplies.
 Laundry service, including supplies.
 Lighting.
 Mail, baggage, and express handling costs, including baggage room expenses (exclusive of labor).
 Power costs for station machinery.
 Snow and dust removal on station grounds.
 Sprinkling station grounds.
 Tools and supplies for station use.

4319 Repairs to station buildings and equipment.

This account shall include the cost of repairs to company stations, passenger terminals, waiting rooms, platforms, and other structures, together with fixtures, grounds and approaches, used in passenger transportation service; also include the cost of repairs to station furniture and equipment (but not equipment used in general offices) and carts, electric motor trucks, platform trucks, scales, and loading platforms, in connection with revenue baggage, mail and express.

4331 Commissions paid.

This account shall include the amounts paid to others (except to the carrier's employees and to interline carriers) on a commission or guaranteed basis for the sale of tickets, handling of express, baggage, newspapers, etc.

4332 Other expenses allowed.

This account shall include the amounts allowed to the operators of commission stations and passenger terminal for expenses such as advertising, rent, light, heat, power and water, telephone, telegraph and messenger services, etc.

4340 Interline commission paid.

This account shall include all commissions paid to interline carriers.

4350 Interline commissions earned—Credit.

This account shall include all commissions earned on interline tickets sold.

4360 Collection and delivery.

(a) This account shall include the wages of drivers and helpers and other

expenses of equipment used in collecting express from consignors and delivering express to consignees and local pick-up and delivery service provided for intercity passengers when such local service is included in the intercity tariff rate. (See instruction 28.)

(b) This account is intended to be used only when the expenses incurred in such local service can be separated from those incurred in regular operation between terminals.

(c) This account shall be subdivided to reflect separately:

- (1) Wages of drivers and helpers.
- (2) Gasoline and oil expense (not including taxes).
- (3) Tires and tubes.
- (4) Repairs and servicing of equipment.
- (5) Other assignable operations and maintenance expenses.

4370 Purchased collection and delivery.

This account shall include amounts payable for collection, delivery and transfer service performed by others under contractual arrangements, whereby the agreement for the amount payable is based on other than actual division of tariff rates.

4391 Joint station facilities—Debit.

This account shall include the carrier's proportion of costs incurred by others in maintaining and operating joint station equipment and facilities, including overhead costs, except items chargeable to account 5340, Joint Facility Rents—Debit. (See definition 25, and instruction 29.)

4396 Joint station facilities—Credit.

This account shall include the amounts chargeable to others as their proportion of the costs incurred by the carrier in maintaining and operating joint station equipment and facilities, including overhead costs, except items creditable to account 5390, Joint Facility Rents—Credit. (See definition 25, and instruction 29.)

4400 Traffic, solicitation and advertising expense.

This account shall include the total of amounts included in accounts 4410 to 4470, inclusive.

4410 Salaries and expenses.

(a) This account shall include all salaries and expenses in connection with the promotion and solicitation of traffic. This includes the salaries of officers and their assistants who are directly in charge of traffic promotion and solicitation, including salaries of the traffic manager, general express and passenger agents; general commercial, city, general district and excursion agents, and their clerks and assistants.

(b) This account shall also include the cost of supplies used and the amounts of expenses incurred and cost of operating automobiles by officers and their assistants who are directly in charge of traffic promotion and solicitation.

NOTE: When officers and employees whose pay is chargeable to this account are engaged in work not chargeable to traffic promotion, or have jurisdiction over this and other departments, their salaries and expenses shall be allocated to the accounts appropriate. (See instruction 28.)

4430 Tariffs and schedules.

This account shall include the salaries and expenses of officers and employees engaged in the preparation of tariffs, schedules and time tables, the cost of printing and other expenses incurred in the preparation of tariffs, schedules and time tables, including postage and transportation charges. (See instruction 28.)

4440 Tickets and baggage checks.

This account shall include the salaries and expenses of employees engaged in receiving and distributing tickets, baggage checks, etc., together with the cost of manufacturing tokens and of printing tickets, baggage checks, milk checks, cash fare receipts, prepaid orders, identification checks, passes and other items of a similar nature, including transportation charges in connection therewith. (See instruction 28.)

4450 Other traffic expenses.

This account shall include the carrier's proportion of expenses of traffic associations, including membership fees, and all other traffic expenses not provided for elsewhere.

4470 Advertising.

(a) This account shall include the salaries and expenses in connection with advertising for the purpose of securing traffic, such as may be incurred in the preparation, printing and distribution of strictly advertising matter (not time tables).

(b) This account shall also include the salaries and expenses of employees preparing advertising copy; the commissions paid outside advertising agents; cost of printing, publishing, and other advertising matter; the cost of advertising space in newspapers and periodicals; expenses incurred in connection with radio broadcasting for the purpose of securing traffic; electric, neon and display signs (permanent or portable), for attracting traffic, bulletin boards, cards, cases, display cards and photographs; postage and express charges on advertising matter; cost of bill posting and similar expenses. (See instruction 28.)

NOTE: Cost of operation and maintenance of permanent signs designating a station or terminal shall be included in account 4314, Supplies and Expenses.

4500 Insurance and safety expense.

This account shall include the total of amounts included in accounts 4510 and 4580, inclusive.

4510 Salaries and expenses—Insurance and safety.

(a) This account shall include the following items:

(1) Salaries and wages, traveling and office expenses of officers, clerks and other employees of the insurance department, and special costs incurred in procuring insurance, such as brokerage fees (not included in premiums), notarial fees, and insurance inspection service.

(2) Salaries and expenses of safety department, cost of safety-first and other campaigns among employees or the public for the purpose of preventing accidents and damages.

(3) Salaries and expenses of officers and employees engaged regularly in claim department work; payments for the service of employees and others called in consultation in relation to claim adjustments; pay and expenses of

employees while engaged as witnesses at inquests and law suits.

(4) Salaries and expenses of officers and employees of the law department when specifically assigned to and engaged in injury and damage cases, and expenses of such officers and employees incurred on such cases when incidentally so engaged.

(5) Payment to attorneys, investigators, adjusters, etc., who are not regular employees of the carrier for services and expenses in connection with injury and damage cases.

(6) Cost of operating automobiles used by employees whose pay is charged to this account.

(b) Reimbursements from insurance companies or others for expenses charged to this account on account of injuries and damages shall be credited to this account.

NOTE: No part of the salaries of officers and employees of the law department shall be included in this account for merely incidental service in connection with injury and damage claims.

4520 Public liability and property damage insurance.

This account shall include premiums payable to outside insurance companies for protection against liability to the public for injuries to persons and damages to the property of others, resulting from the operation of owned and leased vehicles in motor carrier service. (See instruction 27.)

NOTE A: Premiums for insurance on property intrusted to the carrier for transportation or storage shall be included in account 4550, Baggage and Express Insurance.

NOTE B: Amounts payable in settlement of claims for bodily injury or property damage which are not recoverable from insurance companies and for which the carrier has not provided estimated accruals for claims shall be charged to account 4530, Injuries and Damages.

[32 FR 20280, Dec. 20, 1967, as amended at 41 FR 32598, Aug. 4, 1976]

4530 Injuries and damages.

This account shall be charged each period with amounts estimated to settle claims by others for injuries to persons (other than employees—see account 4546, Workmen's Compensation—Provision for Claims) or damage to or

destruction or loss of property, whether caused by fire, accident, or other cause, which are not covered by commercial insurance and which are not provided for elsewhere. (See instruction 27.) The carrier shall not accrue amounts to cover risk of loss or damage to its property from fire, theft, or similar loss contingencies.

This account shall also be charged with amounts payable in settlement of claims for injuries to persons and damage to property of others which are not recoverable from insurance companies or for which estimates have not been provided.

NOTE: Payments to or on behalf of employees other than those covered by workmen's compensation insurance, including accident and death benefits; salaries; hospital expenses; medical supplies; also salaries, fees, and expenses of surgeons, doctors, nurses, etc., when provided for through a plan for employees' benefits, shall be charged to account 4652, Employees' Welfare Expenses.

[32 FR 20280, Dec. 20, 1967, as amended at 41 FR 32598, Aug. 4, 1976]

4541 Workmen's compensation—Insurance.

This account shall include premiums payable to outside insurance companies for protection against liability for injuries to or deaths of employees payable under the provisions of workmen's compensation acts. (See instruction 27.)

NOTE: Amounts payable in settlement of claims under the provisions of Workmen's Compensation Acts which are not recoverable from insurance companies shall be charged to account 4546, Workmen's Compensation—Provision for Claims.

[32 FR 20280, Dec. 20, 1967, as amended at 41 FR 32598, Aug. 4, 1976]

4546 Workmen's compensation—Provision for claims.

This account shall be charged each period with amounts estimated to settle claims by others for injuries to and death of employees arising under the workmen's compensation acts. (See instruction 27.) This account shall also be charged with amounts payable in settlement of claims which are not recoverable from insurance companies or for which estimates have not been provided.

NOTE: Payments to or on behalf of employees other than those covered by workmen's compensation insurance, including accident and death benefits; salaries; hospital expenses; medical supplies; also salaries, fees, and expenses of surgeons, doctors, nurses, etc., when provided for through a plan for employees' benefits, shall be charged to account 4652, Employees' Welfare Expenses.

[32 FR 20280, Dec. 20, 1967, as amended at 41 FR 32598, Aug. 4, 1976]

4550 Baggage and express insurance.

This account shall include premiums payable to outside insurance companies to indemnify the carrier against costs and expenses incurred through loss of and damage to express matter and baggage entrusted to the carrier for transportation or storage. (See instruction 27.)

NOTE: Amounts payable in settlement of claims for loss of or damage to property entrusted to the carrier for transportation or storage which are not recoverable from insurance companies and for which the carrier has not provided estimates shall be included in account 4560, Baggage and Express Loss and Damage.

[41 FR 32598, Aug. 4, 1976]

4560 Baggage and express loss and damage.

This account shall be charged each period with amounts estimated to settle claims by others for loss, damage, destruction or delay to express matter, baggage, parcels, etc., entrusted to the carrier for transportation or storage. (See instruction 27.) The carrier shall not accrue amounts to cover risk of loss or damage to its property from fire, theft, or similar loss contingencies. This account shall also be charged with amounts payable in settlement of claims which are not recoverable from insurance companies or for which estimates have not been provided.

NOTE: Any provision or amounts payable for injuries or damages to employees and others, or amounts payable on account of damages to the property of others not entrusted to the carrier for transportation or storage shall be included in account 4530, Injuries and Damages.

[32 FR 20280, Dec. 20, 1967, as amended at 41 FR 32598, Aug. 4, 1976]

4570 Fire and theft insurance.

(a) This account shall include premiums payable to outside insurance companies for fire and theft insurance on owned and lease vehicles and for fire insurance on structures, machinery, and equipment used in motor carrier operations. (See instruction 27.)

(b) This account shall be charged with losses arising under the classes of risks enumerated in paragraph (a) which are not recoverable from insurance companies. The carrier shall not accrue amounts to cover risk of loss or damage to its property from fire, theft, or similar loss contingencies.

(c) This account shall be charged with losses arising under the classes of risks enumerated in paragraph (a) which are not recoverable from insurance companies and for which the carrier has not provided self-insurance.

NOTE: Recoveries from insurance companies or others for damages to the carrier's owned or leased property shall be accounted for as provided in paragraph (b) of account 2660, Insurance Reserves.

[32 FR 20280, Dec. 20, 1967, as amended at 41 FR 32598, Aug. 4, 1976]

4580 Other insurance.

(a) This account shall include premiums paid to outside insurance companies for boiler; burglar; fidelity; holdup; lightning; plate glass; owners, landlords and tenants liability; and other forms of insurance coverage not elsewhere provided for. (See instruction 27.)

(b) This account shall be charged with losses arising under the classes of risks enumerated in paragraph (a) of this section, which are not recoverable from insurance companies. The carrier shall not accrue amounts to cover risk of loss or damage to its property from fire, theft, or similar loss contingencies.

NOTE: The cost of life insurance on the lives of officers and other employees of the carrier whereunder the carrier is the beneficiary shall be charged to account 7500, Other Deductions. Cash surrender values of such policies shall be carried in account 1650, Other Investments and Advances.

[32 FR 20280, Dec. 20, 1967, as amended at 41 FR 32599, Aug. 4, 1976]

4600 Administrative and general expense.

This account shall include the total amounts included in accounts 4611 to 4696, inclusive.

4611 Salaries of general officers.

This account shall include the salaries, bonuses and other forms of consideration for services of general officers whose jurisdiction extends over the entire transportation system of the carrier; and fees payable to receivers. As here used, the term *General Officers* would ordinarily include the following: Chairman of the Board, President, Vice President, Treasurer, Secretary, Comptroller, General Auditor General Manager.

NOTE A: Do not include in this account amounts payable to organizations for services chargeable to account 4660, Management and Supervision Fees and Expenses.

NOTE B: If officers and assistants supervise particular departments of carrier operations, or other operations, or are engaged in specific work other than supervision of the entire transportation system, their pay and expenses shall be apportioned to the appropriate accounts for carrier operations or other operations. (See instruction 28.)

4612 Expenses of general officers.

This account shall include expenses incurred, including cost of operating automobiles, for the benefit of motor carrier operations by administrative officers (as defined in account 4611) such as traveling, and other incidental expenses.

ITEMS

Hotel.
Meals.
Membership fees and dues in trade, technical and professional associations.
Traveling expenses.

NOTE: Expenses in connection with operating the general offices of the carrier shall be included in account 4630, General Office Supplies and Expenses.

4613 Salaries of general office employees.

This account shall include the salaries (see instruction 28), bonuses and other forms of consideration for services of employees who are engaged in the general administrative offices of the carrier and whose services are not

chargeable to any other department or to other operations, including the following: accountants, bookkeepers, cashiers, clerks, engineers, janitors, messengers, paymasters, statisticians, stenographers, traveling auditors.

4616 Expenses of general office employees.

This account shall include the expenses incurred, including cost of operating automobiles, for the benefit of motor carrier operations by employees whose salaries are included in account 4613, Salaries of General Office Employees.

ITEMS

Hotel.
Meals, including payment therefor on account of overtime work.
Membership fees and dues in trade, technical and professional associations.
Traveling expenses.

4620 Law expenses.

This account shall include, except as provided for elsewhere, the pay and expenses of officers, assistants, office forces, and other employees of the law department; fees and retainers, supplies, and expenses of attorneys not regularly employed; court costs; and supplies and expenses of the law office.

ITEMS

Salaries:
Attorneys and assistants.
Clerks.
Counsel.
Law clerks.
Special counsel.
Other employees of law department.
Expenses:
Building service.
Cost of law suits.
Cost of operating automobiles.
Cost of preparing and printing agreements, briefs, reports, etc.
Court costs.
Court fees.
Law books, periodicals and subscriptions to special services.
Law expenses of receivers.
Legal forms, and law offices supplies postage and stationery.
Meals, including payment therefor on account of overtime work.
Payments to attorneys who are not regular employees.
Premiums on court and other bonds.
Printing.

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Tax reports, claims, etc., when handled by legal staff.

Transcripts of testimony, copies of exhibits, etc.

Traveling expenses of attorneys, witnesses, etc.

Witness fees.

NOTE A: The pay of law department officers and employees engaged in formal cases before regulatory commissions, or in cases in which such a commission is a party, or when specifically assigned to injury and damage cases, shall be charged to account 4673, Other Regulatory Commission Expenses, account 4510, Salaries and Expenses—Insurance and Safety, or other appropriate account. (See instruction 28.)

NOTE B: Law expenses incident to the purchase and construction of carried operating property or the acquisition of certificates from Federal or State commissions or securing from local authorities franchises or consents with a life of more than one year shall be charged to the appropriate subdivision of account 1500, Organization, Franchises and Permits. Law expenses incident to the issuance of long-term debt or capital stock shall be charged to account 1880, Unamortized Debt Discount and Expense, account 2400, Unamortized Premium on Debt, or account 1910, Commission and Expense on Capital Stock, as appropriate.

4630 General office supplies and expenses.

This account shall include the cost of office supplies and the office expense in connection with the general administrative functions of the carrier's motor carrier operations.

ITEMS

Books.

Cleaning office.

Drinking water and refrigeration.

Heat and light.

Janitor service.

Letterheads and envelopes.

Paper.

Pens, pencils, ink, fasteners and office supplies.

Postage.

Printing forms for office use.

Repairs to general office buildings, furniture, fixtures, and equipment.

Stationery and office supplies.

Subscriptions to newspapers, periodicals and clipping bureaus.

Towels.

Typewriter supplies.

Waste baskets.

4640 Communication service.

This account shall include the cost of all communication service payable to outside companies, such as telephone, teletypewriter, telegraph, radio, etc.

NOTE: Taxes on telegrams and telephone tolls shall be charged to account 5200, Operating Taxes and Licenses.

4651 Outside auditing expenses.

This account shall include amounts paid as fees for auditing and accounting services rendered by individuals or firms other than carrier's employees.

NOTE: The fees of independent auditors and accountants in preparing financial and other statements incident to the issuance of long-term debt or capital stock shall be charged to account 1880, Unamortized Debt Discount and Expense, account 2400, Unamortized Premium on Debt, or account 1910, Commission and Expense on Capital Stock, as appropriate.

4652 Employees' welfare expenses.

(a) This account shall include pensions or other benefits paid to active and retired employees, their representatives or beneficiaries, and salaries and expenses incurred in conducting relief, benefit and general medical departments. It shall include payments to or on behalf of employees on account of injuries or accidental death when such payments come within the scope of a carrier's general provision for employees' benefits.

(b) If the carrier has definitely undertaken by contract to pay pensions to employees when regularly retired for superannuation or disability and has established a fund to be held in trust for such pension purposes, the carrier shall charge to this account periodic amounts determined through the application of equitable actuarial factors to the current payrolls, which, together with interest accruals on trust funds, will, as nearly as may be practicable, provide for the payment of such pensions, or for the purchase of annuities corresponding thereto. The amounts so charged shall be concurrently credited to a separate subdivision of account 2690, Other Reserves. The total of actual payments and accruals for future payments charged to this account for pensions, shall not exceed the amounts determined as hereinbefore prescribed.

The carrier shall maintain a complete record of the actuarial computations through which the accrual each period of its pension liabilities is established.

(c) Upon the adoption of the accrual plan of accounting, pension payments to employees retired before the adoption of such plan shall be charged to an existing pension reserve, this account 4652. If a carrier pays into its pension trust fund the amount of its existing pension reserve, any such amounts in excess of provision for pensions granted prior to the adoption of the accrual plan may be applied in whole or in part to the adjustment of future accrual charges.

(d) Before adopting the accrual plan of accounting for pensions, the carrier shall inform the Commission of the details of its pension plan, giving full statement of the facts which in its judgment establish a contractual obligation for pension payments, together with the actuarial formula under which it proposes to create its pension trust fund, and also a copy of the declaration of trust under which the fund is to be established.

(e) No charges shall be made to this account in anticipation of discretionary pension payments in the future.

ITEMS

Accident, sickness, death, and other disability benefits to employees, their representatives or beneficiaries.

Employees of relief, benefit, and general medical departments, pay and expenses of. Expenses in connection with employees' disability cases, such as hospital, nursing, and medical attendance.

Fees and retainers for medical and similar services incurred by relief, benefit, and general medical departments.

Medical service.

Office supplies.

Postage, printing and stationery.

Premiums paid for group insurance for the benefit of employees or their beneficiaries.

Traveling expenses.

NOTE: The cost of life or other insurance whereunder the carrier is the beneficiary shall be charged to account 7500, Other Deductions. Cash surrender values of such policies shall be carried in account 1650, Other Investments and Advances.

[32 FR 20280, Dec. 20, 1967, as amended at 40 FR 53252, Nov. 17, 1975]

4655 Purchasing and store expenses.

(a) This account shall include salaries and expenses of purchasing agents, and their assistants, whose jurisdiction extends over all purchases such as parts, gasoline and other fuel, stationery supplies, etc.

(b) This account shall include credits for cash and other discounts when it is not practicable to apply such discounts directly to the cost of materials to which they relate.

(c) This account shall include such differences from inventory adjustments which have not been otherwise apportioned in accordance with note B under account 1180, Material and Supplies.

NOTE A: Suitable proportions of items included in this account may be allocated to the cost of materials and supplies. (See instruction 19.)

NOTE B: See also instruction 16 with reference to clearing accounts which may be maintained.

4656 Other general expenses.

(a) This account shall include all general expenses connected with motor carrier operations not provided for elsewhere including fees and expenses payable to directors and trustees; expenses in connection with publishing and mailing reports and notices to stockholders, etc.; cash overages and shortages and fees for filing annual reports and other documents not specifically related to certificates or applications for issuance of securities.

(b) This account shall also include contributions for charitable, social or community welfare purposes which have a direct relation to the protection of the property of carrier property, development of its business, or welfare of its employees. (See account 7500, Other Deductions.)

NOTE: Direct contributions to employees' welfare associations shall be included in account 4652, Employees' Welfare Expenses.

[32 FR 20280, Dec. 20, 1967, as amend at 42 FR 64351, Dec. 23, 1977]

4660 Management and supervision fees and expenses.

(a) This account shall include fees and expenses payable to any corporation, firm or individual, other than officers and employees of the carrier, for

continuously rendered supervision and management.

(b) This account shall be subdivided to reflect:

(1) Management and supervision fees and expenses of associated companies.

(2) Management and supervision fees and expenses of other companies.

(c) Records supporting this account shall be kept so as to show (1) the basis of the fees, i.e., the gross or net earnings of the carrier, if such is the basis, (2) the percentage applied in determining the fee, (3) the amount of the fee, and (4) the amount of the expenses.

4671 Franchise requirements—Debit.

(a) This account shall include the total cost to the carrier in connection with payments to governmental authorities in compliance with franchises, ordinances or similar requirements, except taxes and license fees, provided, however, that the carrier may charge this account with the amounts based on regular tariff rates of intrastate transportation furnished without charge under provisions of franchises.

(b) When no direct outlay is involved concurrent credit for such charges shall be to account 4672, Franchise Requirements—Credit.

4672 Franchise requirements—Credit.

This account shall include concurrent credits for charges which are made to account 4671, Franchise Requirements—Debit, to the extent that such charges do not represent direct outlays.

4673 Other regulatory commission expenses.

(a) This account shall include expenses incurred by the carrier in connection with formal cases before Federal or State regulatory bodies or cases in which such a body is a party; also include payments made to a regulatory commission for fees or amounts assessed against the accounting carrier for pay and expenses of the regulatory commission, its officers, agents and employees, other than those incurred in securing certificates of convenience and necessity and authority for the issuance of securities.

(b) Amounts includible in this account which by approval or direction of the Commission are to be spread over future periods shall be charged to account 1890, Other Deferred Debits, and amortized by charges to this account.

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Fees, retainers, and expenses of counsel, solicitors, attorneys, clerks, attendants, witnesses, and others whose services are secured for the defense or prosecution of petitions or complaints presented to regulatory bodies.

The pay of officers and employees specifically assigned to or engaged in the valuation of property owned or used by the carrier, in connection with such cases, and the cost of similar work performed by others.

Amounts assessed by Federal and State regulatory commissions for pay and expenses of their officers, agents, and employees; office and traveling expenses; stationery, printing and engineering supplies; and other expenses and supplies including expenses of officers and employees upon matters covered by this account even though no portion of their pay is assignable hereto.

NOTE A: Expenses incurred for the improvement of service, for additional inspection, or rendering reports which are made necessary by the rules and regulations, or orders, of regulatory bodies, shall be charged to the appropriate operation and maintenance expense accounts.

NOTE B: Expenses incident to securing certificates of convenience and necessity shall be charged to the appropriate subdivision of account 1500, Organization, Franchises and Permits. Expenditures incident to securing authorization for issuance of long-term debt or capital stock shall be charged to account 1880, Unamortized Debt Discount and Expense, account 2400, Unamortized Premium on Debt, or account 1910, Commission and Expense on Capital Stock, as appropriate.

CROSS REFERENCE: For regulations relating to certificates of public convenience and necessity, see parts 1120 and 1121 of this chapter.

4680 Uncollectible revenues.

(a) This account shall include charges for receivables for carrier operating revenues which, after a reasonably diligent effort to collect, have proved impracticable of collection. If accounts which have been so written off are afterwards collected, the amount received shall be credited to this account; *Provided, however,* That such recoveries are from accounts charged off against this account.

(b) Charges to this account may be made on the basis of the estimated average loss due to uncollectible accounts in which case the concurrent credit shall be to account 2650, Reserve for Uncollectible Accounts. To the reserve thus established shall be charged such amounts as are determined to be uncollectible; amounts written off and subsequently collected shall be credited to the reserve. When charges to such accounts are thus made by estimate, the estimate shall be adjusted at the end of each calendar year to conform to the experience of the accounting carrier as determined by analysis of its accounts receivable.

NOTE: Losses on receivables for other than operating revenues, and losses on notes or claims, shall be included in account 7500, Other Deductions.

4691 Joint operating expense—Debit.

This account shall include amounts payable to others representing the cost of operation and maintenance of joint facilities used for general purposes, such as a general office, or where amounts payable cannot be segregated between the functional groups of expense accounts provided in this part. (See instruction 29.)

4696 Joint operating expense—Credit.

This account shall include amounts received by the accounting carrier as reimbursement for operating and maintaining costs incurred by it in connection with a joint facility used for general purposes such as general office, or when the amounts received cannot be segregated between the functional groups of expense accounts provided in this part. (See instruction 29.)

Depreciation Expense

5000 Depreciation expense.

(a) This account shall include the amount of depreciation charges applicable to the accounting period for all classes of depreciable carrier operating property, including improvements to leased property, if any, as provided in instruction 25. The amounts charged to this account shall be concurrently credited to account 2500, Reserve for Depreciation—Carrier Operating Property.

(b) The following subdivisions of this account shall be maintained to reflect the amount of depreciation charges on each class of property and the necessary depreciation adjustment on carrier operating property at the time it is retired from service as provided in instruction 21 (see definition 33):

- 5011 Depreciation of Structures.
- 5021 Depreciation of Revenue Equipment.
- 5031 Depreciation of Service Cars and Equipment.
- 5041 Depreciation of Shop and Garage Equipment.
- 5051 Depreciation of Furniture and Office Equipment.
- 5061 Depreciation of Miscellaneous Equipment.
- 5071 Depreciation of Improvements to Leasehold Property.
- 5081 Depreciation of Undistributed Property.
- 5091 Depreciation of Adjustment.

Amortization Expense

5100 Amortization of carrier operating property.

This account shall include the amount of the amortization charges applicable to the accounting period for amounts carried in account 1501, Organization, account 1511, Franchises, and account 1541, Patents, for fixed-term franchises, licenses, and patent rights; and for fixed-term interest in land and land rights carried in account 1201—Land and Land Rights. Such charges shall be computed so as to distribute the book cost of each item evenly throughout its service life to the carrier. (See also account 2600, Reserve for Amortization—Carrier Operating Property.)

Taxes and Licenses

5200 Operating taxes and licenses.

(a) This account shall include the amount of Federal, State, county, municipal and other taxing district taxes, which relate to motor carrier operations and property used therein (except taxes provided for in account 8000, Income Taxes on Ordinary Income).

(b) This account shall be charged each month (or 4-week period) with the amount of taxes applicable thereto, with concurrent credits to account 2120, Taxes Accrued, or account 1170, Prepayments, as appropriate. When it

is not possible to determine the actual taxes, they shall be estimated and the applicable portion of the total tax included in this account each month (or 4-week period). Taxes included in this account on an estimated basis shall be adjusted when the actual levies become known. Taxes on gasoline, other motor fuel and lubricating oil shall be included in this account on the basis of actual consumption.

(c) The records shall be kept so as to show separately for each of the following subdivisions the amount of each class of tax included in this account and the basis on which it is levied, segregated between the amounts levied by the Federal government, and by State, Municipal, and other taxing authorities.

[32 FR 20280, Dec. 20, 1967, as amended at 37 FR 25846, Dec. 5, 1972]

5210 Gasoline, other fuel and oil taxes.

Include in this account all taxes levied by Federal, State, or other governmental bodies on motor fuel and motor oil consumed during the current accounting period.

5220 Vehicle license and registration fees.

Include in this account the cost of all fees assessed for the privilege of operating vehicles over the highways, such as registration fees, license plate fees, mileage taxes, seat taxes, seat-mile taxes, gross weight taxes, ton-mile taxes, port of entry fees, permits for overload and oversize, Federal use tax, certificates of title fees, vehicle qualification fees and similar items.

5230 Real estate and personal property taxes.

Include in this account the amount of taxes based on the value of real estate and personal property.

5240 Social security taxes.

Include in this account the amount of social security, unemployment, and oldage benefit taxes payable to the Federal and State governments.

5250 Other taxes.

Include in this account all other operating taxes not specifically provided for in accounts 5210 to 5240, inclusive.

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Capital stock taxes.
City licenses and permits.
Corporation taxes assessed for privilege of doing business as a corporation.
Gross receipts taxes not otherwise provided for.
Occupancy taxes.
Sales taxes paid by carrier as vendor.
Stock transfer taxes.
Telephone, telegraph, and other communication taxes.
Tires and tubes, taxes on purchase or rental of, and
All other taxes, licenses or fees not otherwise provided for.

NOTE A: Taxes on property leased from others for use in motor carrier operations, when the lessee is obligated under the terms of the lease to pay such taxes in addition to stipulated rent, shall be included in this account.

NOTE B: All other sales or excise taxes not provided for in this account shall be included in the account charged with the cost of the material or services.

NOTE C: Amounts received by the carrier in reimbursement of taxes on property operated as a joint facility (see definition 25) shall be credited to account 5390, Joint Facility Rents; Credit. Payments to other carriers for a portion of taxes on joint facilities shall be charged to account 5340, Joint Facility Rents; Debit.

NOTE D: The following taxes and fees shall not be charged to this account:

1. Fees for filing annual reports and other documents not specifically related to certificates or applications for issuance of securities shall be charged to account 4656, Other General Expenses.

2. Special assessments for street or other improvements and fees or charges, sometimes called taxes, such as water taxes, street sprinkling and sidewalk repairs, which are payments for some specific services rendered by municipal or other taxing bodies, shall be charged to the appropriate property investment or maintenance accounts. (See note B, account 1201, Land and Land Rights.)

3. Taxes on property, the investment in which is included in account 1400, Non-carrier operating property, and account 1450, Non-operating property, shall be charged to account 6000, Net Income from Non-carrier Operations, or account 6100, Net Income from Non-operating Property, as appropriate.

4. Taxes on property leased to others shall be charged to the account to which the rent revenue is credited.

5. Taxes assumed by the carrier on bond and note interest shall be charged to account 7200, Taxes Assumed on Interest.

6. Taxes paid on original issues of capital stock shall be included in account 1910, Commission and Expense on Capital Stock.

7. The cost of State identification plates, for which a small charge is made to cover cost of manufacture, shall be included in account 4264, Other Transportation Expenses, or account 4360, Collection and Delivery, as appropriate.

Operating Rents

5300 Operating rents—Net.

This account shall include the net total of amounts included in accounts 5310 to 5390, inclusive. (See instruction 30.)

5310 Equipment rents—Debit.

This account shall include the amounts payable for use of automotive equipment on whatever basis such rent may be determined. All expenses incurred in connection with the operation of leased equipment which the lessee is obligated to assume in addition to the amount stipulated as rent, shall be included in the operation and maintenance or other accounts as appropriate.

NOTE: Amounts payable for rental of equipment included in the lease of a distinct operating unit shall be charged to account 5400, Rent for Lease of Carrier Property—Debit.

5320 Other operating rents—Debit.

This account shall include all rental payments for the use of property employed in motor carrier operations not provided for elsewhere, such as:

- (a) Rent for shop and garage space.
- (b) Rents paid for use of property by the transportation department.
- (c) Rents paid for use of terminals and stations.
- (d) Rents paid for use of property by the traffic and solicitation department.
- (e) Rents paid for use of the general office.

NOTE: Rental payments for property not used in transportation operations shall be charged to the appropriate other income account.

5340 Joint facility rents—Debit.

This account shall include amounts payable to other carriers as their proportion of rent, including taxes and depreciation, for the use of property under a joint facility arrangement. (See definition 25, and instruction 29.)

5350 Equipment rents—Credit.

This account shall include amounts receivable for use of automotive equipment on whatever basis such rent may be determined.

NOTE: Amounts receivable for rental of equipment included in the lease of a distinct operating unit shall be credited to account 5500, Income from Lease of Carrier Property—Credit.

5360 Rent from owned land and structures.

This account shall include the rent from land and structures, the cost of which is included in accounts 1200, Carrier Operating Property, and 1300, Carrier Operating Property Leased to Others, except joint facilities.

NOTE: Rent from subleases of property rented from others shall be included in account 5370, Sublease Rental Income.

5370 Sublease rental income.

This account shall include rents receivable from subleases of carrier operating property rented from others.

5390 Joint facility rents—Credit.

This account shall include amounts receivable from other carriers as their proportion of rent, including taxes and depreciation, for the use of property under a joint facility arrangement. (See definition 25, and instruction 29.)

Lease of Carrier Property

5400 Rent for lease of carrier property—Debit.

This account shall include amounts payable, for rent of property constituting a distinct operating unit (see definition 24 and instruction 30) or system leased from others for use in motor carrier operations when the carrier has exclusive possession.

NOTE: Taxes payable upon leased property, assumed by the lessee, shall be included in account 5200, Operating Taxes and Licenses.

5500 Income from lease of carrier property—Credit.

(a) This account shall include amounts receivable for rent of property constituting a distinct operating unit (see definition 24, and instruction 30) or system leased by the carrier to others for motor carrier operations where the lessee has exclusive possession.

(b) This account shall include as a deduction from rent revenue, expenses such as repairs, depreciation, insurance, and taxes assumed by the lessor; uncollectible rents, etc., in connection with the property leased.

(c) This account shall be divided to show separately for each lease the following:

- (1) Rent revenue.
- (2) Expenses.
- (3) Depreciation and amortization.
- (4) Taxes.
- (5) Uncollectible rents.

*Other Income***6000 Net income from non-carrier operations.**

(a) This account shall include the revenues from and expenses incurred in the operation of property, the investment in which is carried in account 1400, Non-Carrier Operating Property.

(b) This account shall be subdivided to reflect:

- (1) The total revenues derived from non-carrier operating property operations.
- (2) The total expenses incurred in non-carrier operating property operations.

NOTE A: The expenses referred to include every element of cost incurred in such operations including depreciation, rents, taxes and insurance.

NOTE B: Each carrier may adopt its own classification of revenue and expenses for this account. The classification shall be such, however, as to permit ready analysis of the revenue and expense.

6100 Net income from non-operating property.

(a) This account shall include all rent revenues from land, buildings, and other property not devoted to transportation operations, the book cost of which is included in account 1450, Non-Operating Property.

(b) This account shall include as a deduction from rent revenue, expenses such as repairs, depreciation, amortization, taxes, uncollectible rents, insurance, etc., in connection with the property leased.

(c) This account shall be subdivided to show separately for each lease the following:

- (1) Rent revenue.
- (2) Expenses.
- (3) Depreciation and amortization.
- (4) Taxes.
- (5) Uncollectible rents.

6200 Interest income.

(a) This account shall include interest accruing to the accounting carrier upon securities of other companies and Federal, State, or municipal governments, on loans, notes and advances; special deposits and all other interest bearing assets, including simple interest charged to property during its construction. Interest accrued shall not be credited to this account unless its payment is reasonably assured; in other cases, credits to this account shall be based upon the interest actually collected.

(b) This account shall be kept so as to show separately the interest income from each investment and from each associated company.

NOTE A: No interest upon reacquired securities issued or assumed by the accounting carrier shall be credited to this account.

NOTE B: Interest accrued on securities of other companies held in sinking or other special funds shall be credited to account 6400, Income from Sinking and Other Funds.

6300 Dividend income.

(a) This account shall include revenue derived by the accounting carrier from the dividends on stocks of other companies held by it. Accruals of guaranteed dividends may be included in this account if the payment is reasonably assured.

(b) This account shall be kept so as to show separately the dividend income from each investment and from each associated company.

NOTE: No dividends on reacquired securities issued by the carrier shall be credited to this account.

6400 Income from sinking and other funds.

This account shall include all revenues (whether interest or dividends) accrued on cash, securities (not issued or assumed by the accounting carrier) or other assets held in sinking fund and other special funds.

NOTE: This account covers all income from investments of special funds, whether required to be retained in the fund or not. If such income is required to be retained in the fund and the fund required to be represented by a reserve, the amount of such accretions to the fund shall be concurrently credited to the appropriate reserve account and charged to account 2944, Appropriations to Reserves.

6500 Other non-operating income.

This account shall include all income accrued to the accounting carrier in accordance with the terms of any contract by which the carrier is entitled to participate in the profits from the operations of others and all other non-operating income not provided for in any of the foregoing accounts.

This account shall also include the current unrealized gain on the marketable equity securities in account 1060, only to the extent the gain is represented by a decrease in the valuation allowance. (See instruction 2–15.)

NOTE A: “Profits from the operations of others” does not include any dividends on stock. Revenues from dividends shall be credited to account 6300, Dividend Income, or to account 6400, Income from Sinking and Other Funds, as appropriate. appropriate.

NOTE B: Gains from extinguishment of debt shall be aggregated and, if material, credited to account 9010, Extraordinary items, upon approval by the Commission.

[32 FR 20280, Dec. 20, 1967, as amended at 40 FR 53252, Nov. 17, 1975; 42 FR 33301, June 30, 1977]

6600 Unusual or infrequent items (credit).

Included in this account shall be material items unusual in nature or infrequent in occurrence, but not both, accounted for in the current year in accordance with the text of instruction 2–7, upon approval by the Commission.

[40 FR 53253, Nov. 17, 1975]

Income Deductions

7000 Interest on long-term obligations.

(a) This account shall include all interest accrued on unmatured outstanding long-term obligations issued or assumed by the accounting carrier; also interest accrued on debentures and on receivers' certificates which mature more than 1 year after date of issue. This account does not include interest on securities held by the accounting carrier in its treasury, in sinking or other special funds, or pledged as collateral.

(b) This account shall be kept so as to show the interest expense (accrual) on each of the following classes or subdivisions of long-term obligations:

- (1) Equipment obligations.
- (2) Advances.
- (3) Bonds.
- (4) Other long-term obligations.

7100 Other interest deductions.

This account shall include interest on all short-term obligations of the accounting carrier, such as notes or loans for terms of less than 1 year, unpaid taxes, or other accounts payable, etc., and also interest on matured long-term obligations.

7200 Taxes assumed on interest.

This account shall include amounts paid to holders of the bonds or other indebtedness of the carrier in reimbursement of income and other taxes levied against income from such obligation or levied as a tax for ownership of the obligation, where the mortgage, indenture, or other instrument provides for payment of such taxes by the carrier.

7300 Amortization of debt discount and expense.

This account shall include for any period that proportion of the unamortized discount and expense on outstanding long-term debt which is applicable to the period. This proportion shall be determined according to a rule, the uniform application of which during the interval between the issue and maturity of any debt will completely amortize the discount at which

such debt was issued and the debt expense connected therewith. Debt expense and debt discount charged to this account shall be concurrently credited to account 1890, "Other Deferred Debits," and 2370, "Unamortized Discount on Debt," respectively. (See also instruction 2-13.3.)

[32 FR 20280, Dec. 20, 1967, as amended at 41 FR 52468, Nov. 30, 1976]

7400 Amortization of premium on debt—Credit.

This account shall include the proportion of the premium at which outstanding long-term debt was issued which is applicable to each period. This proportion shall be determined according to a rule the uniform application of which during the interval between the issuance and the maturity of any debt will completely amortize the premium at which such debt was issued. Amounts credited to this account shall be concurrently charged to account 2380, "Unamortized Premium on Debt." (See instruction 2-13.)

[32 FR 20280, Dec. 20, 1967, as amended at 41 FR 52468, Nov. 30, 1976]

7500 Other deductions.

This account shall include all deductions from gross income not provided for in any of the foregoing accounts such as:

(a) Unsecured accruals on obligations arising under contracts whereby the accounting carrier has guaranteed the annual or more frequent periodic payment of money or performance of other obligation on the part of another corporation or person, and because of the default of such other corporation or person, the liability of the accounting carrier has become actual.

(b) Losses resulting from the operations of others, whenever, in accordance with the terms of any contract, the accounting carrier is bound to contribute toward reimbursement of such losses.

(c) Losses on receivables, notes or claims, which are not includible in account 4680, Uncollectible Revenue.

(d) Amortization charges of the book value of property included in account 1550, Other Intangible Property, and other items carried among its assets.

(e) Contributions for charitable, social, or community welfare purposes which do not have a direct relation to the protection of carrier property, development of its business or welfare of its employees. (See account 4656, Other General Expenses.)

(f) Penalties and fines for violations of law not provided for in account 4264, Other Transportation Expenses.

(g) Premiums for life insurance carried on the lives of officers and employees when the carrier is the beneficiary.

(h) Losses resulting from extinguishment of debt shall be aggregated and, if material, charged to account 9010, Extraordinary items, upon approval by the Commission.

(i) Unrealized losses on the marketable equity securities in account 1060 to the extent these losses are represented by an increase in the valuation allowance. (See instruction 2-15.)

[32 FR 20280, Dec. 20, 1967, as amended at 40 FR 53253, Nov. 17, 1975; 42 FR 33301, June 30, 1977; 42 FR 64351, Dec. 23, 1977]

7600 Unusual or infrequent items (debit).

Included in this account shall be material items unusual in nature or infrequent in occurrence, but not both, accounted for in the current year in accordance with the text of instruction 2-7, upon approval by the Commission.

[40 FR 53253, Nov. 17, 1975]

Income Taxes

8000 Income taxes on income from continuing operations.

(a)(1) This account shall be debited with the monthly accruals for all income taxes which are estimated to be payable and which are applicable to ordinary income (see instruction 2-32). See text of account 9060, Income taxes on extraordinary and prior period items.

(2) Details pertaining to the tax consequences of other unusual and significant items and also cases where the tax consequences are disproportionate to the related amounts included in income accounts, shall be submitted to the Commission for consideration and decision as to proper accounting.

(b) This account shall be subdivided as follows: 8010 *Federal Income Taxes*,

8020 State Income Taxes, and 8030 Other Income Taxes.

NOTE: Personal income taxes of sole proprietors and members of a partnership shall not be charged to this account; if paid from funds of the business, the amounts thereof shall be charged to account 2800, Sole Proprietorship Capital, or account 2810, Partnership Capital, as appropriate.

[32 FR 20280, Dec. 20, 1967, as amended at 39 FR 33349, Sept. 17, 1974]

8040 Provision for deferred taxes.

(a) This account shall include the tax effect of all timing differences (see definitions 1-41 (g) and (e)) originating and reversing in the current accounting period, and the future tax benefits of loss carryforwards recognized in accordance with instruction 2-32(c).

(b) This account shall include credits for the amortization of the investment tax credit if the carrier elected to use the deferred method of accounting for the investment tax credit. (See instruction 2-32(d)).

[39 FR 33349, Sept. 17, 1974]

DISCONTINUED OPERATIONS

8100 Income (loss) from operations of discontinued segments.

This account shall include the results of operations of a segment of a business (see definition 1-43), after giving effect to income tax consequences, that has been or will be discontinued in accordance with the text of instruction 2-7, upon approval by the Commission.

[40 FR 53253, Nov. 17, 1975]

8120 Gain (loss) on disposal of discontinued segments.

This account shall include the gain or loss from the disposal of a segment of a business, after giving effect to income tax consequences, in accordance with the text of instruction 2-7, upon approval by the Commission.

[40 FR 53253, Nov. 17, 1975]

EXTRAORDINARY ITEMS AND ACCOUNTING CHANGES

9010 Extraordinary items (net).

(a) This account shall include extraordinary items accounted for during the current accounting year in accordance

with the text of instruction 2-7, upon submission of a letter from the carrier's independent accountants, approving or otherwise commenting on the item and upon approval by the Commission.

(b) This account shall be maintained in a manner sufficient to identify the nature and gross amount of each debit and credit.

(c) Federal income tax consequences of charges and credits to this account shall be recorded in account 9050, Income taxes on extraordinary items, or 9060, Provision for deferred taxes—extraordinary items.

[40 FR 53253, Nov. 17, 1975]

9050 Income taxes on extraordinary items.

This account shall include the estimated income tax consequences (debit or credit) assignable to the aggregate of items of both taxable income and deductions from taxable income which for accounting purposes are classified as extraordinary, and are recorded in account 9010, Extraordinary items (net). The tax effect of any timing differences caused by recognizing an item in the account provided for extraordinary items in different periods in determining accounting income and taxable income shall be included in account 9060, Provision for deferred taxes—extraordinary items.

[40 FR 53253, Nov. 17, 1975]

9060 Provision for deferred taxes—extraordinary items.

This account shall include debits or credits for the current accounting period for income taxes deferred currently, or for amortization of income taxes deferred in prior accounting periods applicable to items of revenue or expense included in account 9010, Extraordinary items (net). (See instruction 2-32).

[40 FR 53253, Nov. 17, 1975]

9070 Cumulative effect of changes in accounting principles.

This account shall include the cumulative effect of changing to a new accounting principle, after giving effect

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to income tax consequences, in accordance with instruction 2-7, upon approval by the Commission.

[40 FR 53253, Nov. 17, 1975]

9999 Form of income statement.

ORDINARY ITEMS	
i. Carrier Operating Income	
Revenues:	
3000 Operating revenues (Exclusive of transfers from government authorities)	
3700 Operating revenues—transfers from government authorities for current operations	
3800 Operating revenues—amortization of deferred transfers from government authorities	
Expenses:	
4000 Operation and Maintenance Expenses	
5000 Depreciation Expense	
5100 Amortization of Carrier Operating Property	
5200 Operating Taxes and Licenses	
5300 Operating Rents—Net	
Total Expenses	
Net Operating Revenue	
5400 Rent for Lease of Carrier Property—Debit	
5500 Income from Lease of Carrier Property—Credit	
Net Carrier Operating Income	
ii. Other Income	
6000 Net Income from Noncarrier Operations	
6100 Net Income from Nonoperating Property	
6200 Interest Income	
6300 Dividend Income (other than from affiliates)	
6400 Income from Sinking and Other Funds	
6500 Other Nonoperating Income	
6600 Unusual or infrequent items (credit)	
Income from affiliated companies	
Dividends	
Equity in undistributed earnings (losses)	
Total Other Income	
Gross Income	
iii. Income Deductions	
7000 Interest on Long-Term Obligations	
7100 Other Interest Deductions	
7200 Taxes Assumed on Interest	
7300 Amortization of Debt Discount and Expense	
7400 Amortization of Premium on Debt—Credit	
Total income deductions	
7500 Other Deductions	
7600 Unusual or infrequent items (debit)	
Total income deductions	
Income from continuing operations before income taxes	
8000 Income taxes on income from continuing operations	
8040 Provision for deferred taxes	
Income (loss) from continuing operations	

ORDINARY ITEMS—Continued

iv. Discontinued Operations	
8100 Income (loss) from operations of discontinued segments (less applicable income taxes of—)	
8120 Gain (loss) on disposal of discontinued segments (less applicable income taxes of—)	
Income (loss) before extraordinary items	\$
Extraordinary Items and Accounting Changes	
9010 Extraordinary Items (Net)	
9050 Income taxes on extraordinary items	
9060 Provision for deferred taxes—extraordinary items	
Total extraordinary items	
9070 Cumulative effect of changes in accounting principles (less applicable income taxes of—)	
Net Income (or Loss) Transferred to Earned Surplus	

(49 Stat. 546, as amended, 563, as amended, 564, as amended, 49 U.S.C. 304, 320, 322, as amended, 49 U.S.C. 12, 20, 304, 320)

[32 FR 20280, Dec. 20, 1967, as amended at 39 FR 33349, Sept. 17, 1974; 39 FR 34047, Sept. 23, 1974; 40 FR 53253, Nov. 17, 1975; 43 FR 30560, July 17, 1978]

PARTS 1220-1239—PRESERVATION OF RECORDS

NOTE: Section 20(7)(b) of the Interstate Commerce Act includes the following provision:

Any person who shall knowingly and willfully make, cause to be made, or participate in the making of, any false entry in any annual or other report required under this section to be filed, or in the accounts of any book of accounts or in any records or memoranda kept by a carrier, or required under this section to be kept by a lessor or other person, or who shall knowingly and willfully destroy, mutilate, alter, or by any other means or device falsify the record of any such accounts, records, or memoranda, * * * shall be deemed guilty of a misdemeanor and shall be subject, upon conviction in any court of the United States of competent jurisdiction to a fine of not more than five thousand dollars or imprisonment for not more than two years, or both such fine and imprisonment: *Provided*, That the Commission may in its discretion issue orders specifying such operating, accounting, or financial papers, records, books, blanks, tickets, stubs, correspondence, or documents of such carriers, lessors, or other persons as may, after a reasonable time, be destroyed, and prescribing the length of time the same shall be preserved.